U.S. Department of State
FY 2001 Country Commercial Guide: Brazil

The Country Commercial Guide for Brazil was prepared by U.S. Embassy Brasilia and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

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INTRODUCTION

This Country Commercial Guide (CCG) presents a comprehensive look at Brazil's commercial environment including economic, political and market analyses.

The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies throughout the world through the combined efforts of several U.S. government agencies.

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I. EXECUTIVE SUMMARY

Brazil has the 10th largest economy in the world, and represents about half of South America in population, territory, and economy.. With 160 million people, it is rich in agricultural, mineral and industrial resources and represents a substantial market opportunity for U.S. exporters.

Overall relations between Brazil and the United States are strong. Business between the two countries is vibrant and expanding. The economy is rebounding strongly from the crisis of early 1999 and the Brazilian government is well along the way of a liberalization program that included the largest privatization process in the history of the world. The government is emphasizing increased economic opportunities for the private sector through increased competition. The U.S. has been the number one investor in this new and expanding economic program and U.S. companies have been able to expand their sales and to benefit from new business opportunities that are making Brazil one of the strongest commercial partners of the United States.

1999 proved an important transition year for Brazil. After weathering the Asian Crisis relatively unscathed, the country was forced to confront the reality of a long list of unfinished fiscal structural reforms following the Emerging Markets Crisis of 1998. Despite an acceleration in legislative action, the adoption of a three-year fiscal stabilization plan, and the signing of an agreement for IMF support in the last quarter of 1998, continuing capital flight forced the country into an unwanted and abrupt switch to a floating rate foreign exchange regime in January 1999. On a average nominal exchange rate basis, the domestic currency fell almost 60 percent against the dollar in the year. Despite dire predictions of negative growth and double-digit price increases, inflation remained in the high single digits and growth was steadily positive. However the trade account did not improve as expected and Brazil ended the year with a deficit of over $1 billion.

A number of factors were responsible for this better than expected performance. First, contrary to prior expectations, Brazilian industrial and individual consumers proved highly resistant to price increases and quickly switched to domestic substitutes or off-brands, thus holding exchange rate pass-through to a minimum. Second, the government continued to make progress on fiscal reforms and to run quarterly primary surpluses in compliance with the agreement with the Fund. Third, the Central Bank initiated an inflation-targeting monetary policy in mid-year that established an explicit link between monetary policy and prospective inflation, thus stabilizing inflationary expectations. Finally, improvement in other overseas markets and continuing strong growth in the U.S. economy stimulated an export-led recovery that emerged in the third quarter of 1999.

With most major reforms approved at this point, even if not entirely implemented, the government is placing greater emphasis on pressing social and public infrastructure needs. Though formally committed to maintain sizeable fiscal surpluses at least until the end of 2001, the government will be helped by rising growth, expected to reach at least 3.5 percent this year and over four percent in 2001. The country continues to run a current account deficit of around four percent of GDP, but external financing needs are being met by inflows of long-term capital as foreign investors, U.S. firms the most prominent among them, continue to expand their presence here.

With the largest economy and population in Latin America, Brazil presents considerable long term export opportunities, particularly now that it seems set to resume growth at rates near its potential. Imports fell in 1999 due to the devaluation of the currency and the continuing economic slowdown. With a 17 percent increase in exports thus far this year amid rising domestic demand, imports rose over 11 percent in the first five months of 2000. According to U.S. Customs statistics, the U.S. trade surplus with Brazil was $1.9 billion in 1999, down over 70 percent from 1998, and it seems likely that bilateral trade will be nearly balanced in 2000. U.S. exports to Brazil fell 13 percent to

$13.2 billion and imports from Brazil rose 12 percent to $11.3 billion last year. Brazil remained our 11th largest export market in 1999.

Despite liberalization, the complexities of the Brazilian business environment still create substantial obstacles for U.S. exporters. Doing business in Brazil can be a real challenge and requires intimate knowledge of the local environment. Tariff barriers are still high, and U.S. companies here encounter a very difficult customs system, a very high and unpredictable tax burden with a legal system that is overburdened and is often unable to be an effective enforcer of business law. Nevertheless, most companies find that the opportunities outweigh the risks and the known and hidden costs of doing business here (referred to as the "Custo Brasil").

II. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

Brazil underwent an important economic transition in 1999 and is currently embarked on a year of recovery. The Emerging Markets Crisis of 1998 interrupted the progress Brazil had been making in consolidating the stabilization program introduced by President Fernando Henrique Cardoso when he was Finance Minister. Following the introduction of a new monetary unit (the "Real") in 1994 and the dismantling of "indexation" mechanisms that had automatically transmitted price increases throughout the economy, domestic inflation fell abruptly by any measure. From almost 2500 percent in 1993, consumer price inflation fell to 3% by 1998 before rising in 1999 due to currency depreciation.

The Real Plan initially created more buying power for many Brazilian consumers due to disappearance of the so-called "inflation tax" which hit the poor hardest and to a 40 percent increase in the minimum wage in 1995. While price stabilization undeniably benefited the poor, lifting an estimated 13 million people above the official poverty line, Brazil still has one of the most unequal income distributions in the world. A consumption-led boom that began in 1994 due to higher real incomes and improved access to consumer credit, ended in mid-1997.

Price stability came with a steep price tag for Brazil in terms of lower economic growth in the absence of fiscal reforms and spending restraint. In particular, Brazil's central bank had to keep real interest rates high to defend an overvalued currency, while at the same time attracting sufficient foreign capital to make up for public sector dissaving. From 5.9 percent in 1994, real GDP growth declined to 2.8 percent in 1996 and 3.5 percent in 1997. Due to the slowdown following the Asian Financial Crisis in late 1997, growth in 1998 was flat. Following the Emerging Markets Crisis in August, the economy officially entered into a recession in the second half of 1998. Despite the announcement of a three-year fiscal stabilization plan and negotiation of a US$ 41.5 billion assistance package with the IMF and other lenders, declining confidence in Brazil and capital flight provoked an abrupt switch to a floating rate regime in January 1999. After an initial overreaction, the currency ended the year at 1.8 to the dollar. On an average nominal exchange rate basis, the currency depreciated almost 60% against the dollar from 1998 to 1999.

Dire predictions of sharply lower growth and higher inflation in 1999 were not realized, with growth coming in at one percent and inflation just under nine percent. At the same time, predictions of a substantial trading surplus were also frustrated as the excess of exports over imports reached only US$ 1.2 billion. Main factors underlying good growth and inflation performance were the stability already provided by the Real Plan, progress on fiscal reforms, adoption of an inflation-targeting monetary policy in mid-1999, and fiscal stringency. Foreign investor confidence was also surprisingly robust as foreign direct investment inflow totaled US$ 30 billion for the year, an all-time record. At the same time, exchange rate volatility, lack of export finance, lag effects, weak demand in Asia and Latin America, and declining basic product prices undermined export performance.

Export-led industrial recovery began to emerge in the fourth quarter of 1999. Intermediate good production has been particularly strong both to satisfy domestic demand and foreign consumption. Industrial production was up almost 7 percent for the first four months of 2000 compared to the same period in 1999 and employment has been trending upward. The current consensus forecast is for 3.5 percent GDP growth in 2000 and 4 percent in 2001. Continued monetary stringency, excess capacity, and a slack labor market have helped keep inflation low with the key consumer price index up only 1.4 percent in the first five months of the year. The current market forecast is for 6 percent inflation in 2000, the Central Bank inflation target.

In addition to meeting and indeed surpassing its primary surplus goals for six consecutive quarters since 1998, Brazil has made significant progress on structural fiscal reforms. Notable successes include introduction of an actuarial factor into calculation of public pensions for private sector workers (INSS), passage of the budget guidelines and fiscal responsibility laws, limitation of public worker social security benefits, and completion of a massive debt rescheduling with state and municipal governments. Still lacking as of mid-2000 are completion of a long-awaited domestic tax reform and the second phase of social security reform permitting higher contributions from retired public servants, as well as needed judicial reforms

As of mid-2000, foreign lender attitudes from Brazil have improved dramatically from 1999. However, uncertainty due to greater market volatility in the United States and the prospect of higher interest rates there combined with concerns about regional economic and political stability have been exacting a price from Brazil. Even so, the country has accomplished a great deal in the last 18 months and is much better positioned to absorb external shocks than it was in 1998.

Principal Growth Sectors

The Brazilian Statistical Institute (IBGE) has estimated that the economy grew one percent in 1999. Though low, this is an improvement over essentially flat growth in 1998 and considerably better than initial predictions of a contraction last year. On a sectoral basis, agriculture led with a 9.5 percent expansion while industry contracted by 1.7 percent. Service sector output grew 1.3 percent. Within the industrial sector, mining turned in the best performance with 0.8 percent growth. Manufacturing activity fell 1.3 percent and construction by 3.7 percent. In the services sector, the communications subsector turned in the best performance by far with an 8.6 percent expansion. Commerce rose 0.6 percent and transportation 0.9 percent. On a cumulative basis, GDP grew 3.1 percent in the first quarter of 2000 led by an almost six percent expansion in the industry sector.

Agriculture contracted by 0.8 percent and service sector output was but 2.4 percent in the quarter. On a subsectoral basis, manufacturing and communications were the top performers in the first quarter with growth rates of 7.6 percent and 8.7 percent, respectively.

Government Role in the Economy

Under the development policies of previous Brazilian administrations, the government established a tradition of being the dominant force in shaping economic growth by means of planning and management. Its influence was felt not only directly through the day-to-day activities of government entities, but also through governmental wage, price, and credit policies, and subsidy and fiscal incentive programs. While the central government retains an important economic role, the policies of the Cardoso administration have aimed at reducing the government presence in economic activities and concentrating on its role in areas such as public health, safety, and education. The government is emphasizing creating greater economic opportunities for the private sector through privatization, deregulation, and removal of impediments to competition. Thus, the engine of Brazilian economic growth is more and more the private sector.

The government has broken up numerous federal monopolies in key areas. In the energy sector, the government began privatizing state entities in 1995 and created the National Electrical Energy Agency (ANEEL) to regulate the sector in 1996. Congress passed a law in 1998 authorizing the government to restructure ELETROBRAS and its subsidiaries, a project still in progress. In the petroleum and gas sector, the government has openly discussed the privatization of PETROBRAS, a state-owned enterprise which once held monopoly control of these resources. In the telecommunications sector, the government amended the constitution in 1995 to end the state’s monopoly in this field. It established a National Telecommunications Agency (Anatel) to regulate this once dormant sector, which has experienced explosive growth since privatization. The Telebras telephone monopoly was split up in 1998. In the transportation sector, the government privatized all seven railway firms in 1997-97 and has either privatized or turned over to the states most of the federal highway network. The government is also considering a privatization of Infraero, which runs the country’s sixty-seven airports.

Balance of Payments Situation

Brazil's trade position underwent a radical transformation under the Real Plan due to market opening, an overvalued exchange rate, and pent-up demand for capital and consumer goods. From a traditional surplus, the merchandise balance dropped sharply from a surplus of $10.5 billion in 1994 to a deficit of $3.5 billion in 1995, $5.6 billion in 1996, $6.8 billion in 1997, and US$ 6.6 billion in 1998. Despite earlier hopes that the devaluation would improve export competitiveness and help produce a substantial surplus in 1999, a number of factors combined to produce a global trade deficit of $1.2 billion last year. A more realistic exchange rate acts as a stimulus to exports, but countervailing factors in Brazil's case included increased economic uncertainty, exchange rate volatility, scarcity of export credit, weak demand in key foreign markets, and a sharp decline in basic product prices in 1999.

Trade performance is improving in 2000 with the value of export shipments up over 17 percent in the first five months of the year. With imports growing at just over 11 percent in the January-May period, the country ran a trade surplus of $600 million for the five-month period. The current expectation is that Brazil will register a $2.5 billion surplus for all of 2000.

Brazil ran an $8 billion balance of payments deficit in 1999. Despite a 27 percent drop in the current account deficit, capital inflow also fell by more than a third due to increased debt payments and a lower level of foreign lending to Brazil. Foreign direct investment proved a bright spot for Brazil last year. On a balance of payments basis, direct investment inflow reached $30 billion, a 46 percent advance on the 1998 figure. For the first five months of 2000, the current account deficit fell just over six percent. Reflecting the economic recovery, the current account deficit declined markedly as a percentage of GDP to only 3.3 percent in January-May from 4.1 percent a year earlier. In the same period, Brazil's balance of payments deficit reached $7.3 billion, mainly due to a $10.3 billion advance repayment of official foreign assistance loans by the Central Bank.

Based on U.S. Government statistics, the United States ran a trade surplus with Brazil in 1995 for the first time since 1980 at $2.6 billion. The surplus widened further to $3.9 billion in 1996 and peaked at $6.3 billion in 1997 before falling back to US$ 5 billion in 1998. U.S. merchandise exports to Brazil fell almost 13 percent to $13.2 billion in 1999, while our imports rose almost 12 percent to $11.3 billion to produce a surplus of $1.9 billion from our point of view. Brazil remained our 11th largest export market in 1999. U.S. and Brazilian trade figures correlate closely but diverge for various reasons. For example, in 1999 Brazil recorded a $1 billion trade deficit with the United States, almost half the size of the U.S. surplus based on USG figures.

Beginning in 1999 and continuing into 2000, the United States has emerged as Brazil's top export market with sales growing at over the twice the rate as to the rest of the world. The aviation sector figures prominently in the trading relationship, with the U.S. accounting for about two-thirds of global sales. The structure of trade also reveals a growing degree of production interdependence as U.S. firms provide hi-tech inputs for final assembly in Brazil.

Infrastructure

Most products reach Brazil by sea and must pass through Brazil's inefficiently run seaports. Costs are high and turn-around time is long. Bureaucracy and paper work can be a serious impediment at the ports. Port reform legislation, enacted in 1993, has not yet significantly improved port conditions. The Brazilian government has promised to privatize the port system. To complicate matters, the longshoreman's unions are attempting to maintain their current labor monopoly to the point of blockading the factory and (private) port of one company which had hired non-union port workers. Rio and Espírito Santo constitute two ports in Brazil, which are partially privatized along the southeastern coast. Costs are lower and turnaround time shorter there.

Internal transportation is primarily by truck. The increasingly privatized highway network is adequate, but only reaches first world standards in the state of São Paulo. Fuel costs are high, and add significantly to the cost of transportation. Rail transportation is limited; however, the entire rail system has now been privatized and the operators have started to upgrade their rolling stock and other equipment. Geographical constraints and environmental concerns have limited river transport development.

Electric power generation is barely adequate, but needed investment in new capacity has been limited by the precarious financial situation of the government. Some independent analysts forecast as much as a twenty percent chance of power outages in 2001. The government has passed implementing regulation and is in the process of privatizing most generation and distribution capacity, as well as allowing for independent power production and co-generation. The Brazilian federal government has created an independent regulator for the sector.

The government is also restarting work on a number of stalled hydroelectric projects and has plans to install transmission systems linking independent systems within Brazil and linking Brazil to its neighbors and allowing Brazil to buy electricity from them. Nonetheless, there is a risk of power shortages in Brazil’s South and Southwest regions due to delays in installation of new generation and transmission capacity. For that reason, the government is trying to minimize its dependence on hydroelectric power, from which it now draws ninety-nine percent of its power. The government has announced plans to construct forty-nine new thermoelectric plants by 2005, which could supply as much as twenty percent of the country’s power.

III. POLITICAL ENVIRONMENT

Nature of Political Relationship with the United States

The United States was the first country to recognize Brazil's independence in 1822 and the two countries have traditionally enjoyed friendly and active relations encompassing a broad political and economic agenda. By most measures -- geographic size, population, and gross economic product -- Brazil is South America's dominant country. It has played an important role in international collective security efforts -- from sending an expeditionary force to the Allied campaign in Italy during World War II to dispatching a battalion to Angola as UN Peacekeepers from 1995-1997 and coordinating the Military Observer Mission on the Peru-Ecuador border (MOMEP). It has also led political efforts for economic integration in the Southern Cone of South America.

With the inauguration of Brazil's internationally oriented, reformist President Fernando Henrique Cardoso on January 1, 1995 and his reelection to a second term in 1998, U.S.-Brazilian contact and cooperation have intensified. This is reflected in the unprecedented number of high-level contacts between the two governments, highlighted by President Cardoso's state visit to Washington in April 1995 and President Clinton's reciprocal visit to Brazil in October 1997. It has also included visits to Brazil by Vice President Al Gore, First Lady Hillary Rodham Clinton, Secretary of State Albright, Secretary of Defense Cohen, Secretary of Commerce Daley, Labor Secretary Herman, and U.S. Trade Representative Charlene Barshefsky, and many other exchanges between U.S. and Brazilian cabinet and sub-cabinet officials. Apart from trade and finance, important topics of discussion and cooperation have included: United Nations reform and peacekeeping efforts; cooperation on UN Security Council issues; nonproliferation and arms control; successful efforts to help resolve the Peru-Ecuador border conflict and support for democracy in Paraguay; human rights; counter-narcotics; and environmental issues. The signing of a nonproliferation technology safeguards agreement by the two countries in early 2000 has paved the way for participation of U.S. firms in commercial space launches from Brazil's Alcântara space facility. In addition to its commercial and technological importance, the landmark agreement is another sign of the close relations that exist now between the two governments.

Major Political Issues Affecting Business Climate

The Cardoso administration has made stabilization and reform of the economy and modernization of the state its highest priorities. The government's vaunted "Plano Real" stabilization plan dramatically lowered the annual rate of inflation. In 1998 the government passed a major constitutional amendment allowing public administration reforms necessary to consolidate economic stabilization and lay the groundwork for future growth and development in Brazil. Congress had already approved in 1995 constitutional amendments permitting private (including foreign) investment in the sectors of petroleum exploration, coastal and river shipping, telecommunications, and natural gas distribution, formerly reserved to parastatals. In 1996, it passed patent reform legislation. In 1997, it amended the constitution to permit reelection of the president, governors, and mayors. In 1998, it reformed the Social Security system, passed Civil Service reform and a number of emergency fiscal measures to deal with the economic problems caused by the Asian and Russian crises. Although progress has thus far been slower in reforming the country's complex tax structure, and in dealing with the high public sector costs stemming from expenditures on the country's civil service personnel and pension systems**,** the Cardoso administration did institute a major reform limiting public-sector salary expenditures in state and municipal governments in early 2000.

The need for judicial reform is widely recognized because the current system is inefficient, with backlogs of cases and shortages of judges. Lawyers often drag out cases as long as possible, hoping an appeals court will render a favorable decision and because they are paid according to the amount of time they spend on a case. At the appellate court level, a large backlog of cases hinders the courts' ability to ensure fair and expeditious trials. In a press interview, the president of the Federal Supreme Court complained about the volume of appeals that by law the Supreme Court must review. It takes 8 years to reach a definitive decision in the average case, a delay that the Supreme Court president considered unjust. The judiciary is, in many instances, unable to ensure the right to a fair and speedy trial, particularly in rural areas, where the judiciary is less capable and more subject to influence or intimidation by local landowners. In early 1999, a senate committee of inquiry (CPI) began investigating irregularities in the judiciary branch.

Brazil is a federal republic with 26 states and a Federal District. The federal government is comprised of the executive, legislative, and judicial branches. The system is governed by the 1988 Constitution, which grants broad powers to the federal government. The President may be elected to two four-year terms and appoints his own cabinet. The Congress consists of two houses, the Senate and the Chamber of Deputies. There are 81 Senators, three for each state and the Federal District, and 513 Deputies. Senate terms are for eight years (with elections staggered so that two-thirds of the upper house is up for election at one time and one-third four years later). Chamber terms are for four years, and Deputies are elected statewide. State representation in the Chamber is only loosely proportional. Each state is eligible for a minimum of 8 seats; the largest state delegation (Sao Paulo's) is capped at 70 seats. The net result is a system heavily weighted in favor of the less populated states.

In addition to geographic imbalance, Congress is characterized by a large number of political parties. President Cardoso was elected by an alliance of his own center-left Social Democratic Party, the PSDB, and two center-right parties, the Liberal Front Party (PFL) and the Brazilian Labor Party (PTB). Brazil's second largest party, the centrist Brazilian Democratic Movement Party (PMDB), joined Cardoso's governing coalition after the election, as did the center-right PPB, the Brazilian Progressive party, in 1996 after its formation from three smaller conservative parties the previous year. Federal deputies and senators do not always vote with their parties, a consequence of weak internal party discipline. As a result, President Cardoso has had difficulty maintaining sufficient congressional support for many of his legislative priorities, despite the fact that his "coalition" parties hold an overwhelming majority of congressional seats. Among several opposition parties, the left-of-center Workers Party (PT) is the largest.

States are organized like the federal government, with three branches of government. Because of mandatory revenue allocation to states and municipalities provided for in the 1988 Constitution, Brazilian governors and mayors have exercised considerable power since 1989.

Presidential, congressional, and gubernatorial elections took place on October 4, 1998. President Cardoso was re-elected over his main challenger, PT candidate Luiz Inácio Lula da Silva, by a 53-32 percent margin. Municipal elections for the nation's mayors will be held on October 1, 2000. The results of the congressional elections of 1998 left the balance of power in Congress largely unchanged.

Orientation of Major Political Parties

The following are Brazil's major political parties, in order of the size of their congressional delegations in 2000(since it is common for politicians to switch parties, the proportion of congressional seats held by particular parties changes regularly).

PSDB - Partido da Social Democracia Brasileira(center-left)
PFL - Partido da Frente Liberal (center-right)
PMDB - Partido do Movimento Democratico Brasileiro (center)
PT - Partido dos Trabalhadores (left)
PPB - Partido Progressista Brasileiro (center-right)
PDT - Partido Democrático Trabalhista (left)
PTB - Partido Trabalhista Brasileiro (center-right)
PSB - Partido Socialista Brasileiro (left)
PL - Partido Liberal (center-right)
PPS - Partido Popular Socialista (left)
PCdoB - Partido Comunista do Brasil (left)

Section IV. MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

All the customary import channels exist in Brazil: agents, distributors, import houses, trading companies, subsidiaries and branches of foreign firms, among others. The typical import transaction is the importation of capital goods or raw materials by an individual firm for its own use. Brazilian import firms generally do not maintain stocks of capital equipment or raw materials. This is partly due to a high level of taxation. Some flexibility in the maintenance of stocks in the country has been opened up by legislation enlarging the operations of bonded warehouses. Implementing regulations are contained in Decree Law No. 71,866, dated February 26, 1973.

Use of Agents and Distributors; Finding a Partner

Although some companies import directly from overseas manufacturers without local representation, in most cases the presence of a local agent or distributor is essential to penetrate the Brazilian market. As in other countries, the selection of an agent requires careful consideration. In Brazil, larger representatives have sales offices in several Brazilian cities to supply companies all over the country, whereas smaller representatives may either supply companies in a limited region or appoint "business opportunity finders" in major Brazilian regions. It is up to the international supplier and the local agent or distributor to negotiate the type of representation that will take place, whether it is an exclusive representation or not and whether or not any performance targets or term limitations will be incorporated.

The ability of an agent to cover the country depends in large part on the item being sold, for example, certain types of sophisticated machinery may have only a dozen or so potential buyers in Brazil, making marketing relatively simple. On the other hand, less expensive equipment with a wide potential market and the need for countrywide service facilities puts much greater organizational demands on a single agent. Geographic and product coverage restrictions can also be incorporated into a distributor or representative contract.

U.S. companies should consult with a local law firm when signing agent or distribution contracts with a Brazilian partner. Commercial distribution contracts are not regulated by specific legislation, only by general Brazilian commercial law, whereas there is specific legislation regulating the relationship between the foreign company and the Brazilian agent. Although the contract clauses are freely negotiated between the U.S. company and the local agent, there are laws that govern this relationship. The indemnification payable to the agent in case the contract is broken is established by law and is usually very favorable to the agent.

Brazilian income tax is levied on a foreign exporter if the exporter is "present" in Brazil (Article 76 of Law 3470/58). This "presence" is determined basically by two interrelated factors -- the closing of sales contracts in Brazil and the existence of power of attorney granted to an agent or representative in Brazil. The taxable income is estimated at 20 percent of the total price of the product imported into Brazil. A Brazilian tax lawyer best determines the precise applicability of this law to any particular transaction or agent-principal relationship.

Once the agent-principal contract is signed, a Brazilian agent is protected by law from unilateral termination of the contract by the foreign principal without "just cause." The definition of just cause is agent's negligence; agent's breach of contract; acts by the agent damaging to the principal; and conviction of the agent for a criminal offense. Contract stipulations and conditions for termination of agency agreements in Brazil are contained in Articles 27-39 of Law No. 4886, of December 10, 1965.

Franchising

The franchise sector is a sophisticated and mature market in Brazil. A good number of franchises are Brazilian in original and the franchise sector is well organized through its franchise trade association. In order to avoid any possible setbacks in a franchise company's plans for Brazil, and to take best advantage of the Brazilian market, U.S. franchisors should consider securing a Master-Franchisee with experience in sectors related to the U.S. company. A qualified Master-Franchisee is able to offer the best advice in terms of tailoring a franchisor's product or concept to the Brazilian market. In-depth knowledge of the local market is essential: all commercial, cultural and legal aspects should be considered before entering the market. In some instances, even a brand name may have to be changed to avoid problems. Finally, a franchisor should first register its brand name in the Brazilian market before selecting a partner. In Brazil franchise consultants call adapting franchise to the Brazilian market, "the tropicalization" of the franchise.

Pay close attention to Article Three of the Franchising Law that states that franchisors - or their master-franchisees - should provide all their potential franchisees with a *Franchise Offering Circular* (*Circular de Oferta de Franquia*). This document must contain basic vital, information regarding the economic and financial health of the franchisor, as well as information on any pending legal disputes. Consumer's rights in Brazil should not be a problem for US franchises because of the sophistication of consumer laws in the U.S. Franchisors who are able to understand these trends and adopt their products to the Brazilian market can be successful in this expanding market.

Direct Marketing

U.S. firms exporting to Brazil must be registered with the Secretariat of Foreign Trade (SECEX) of the Ministry of Development, Industry and Commerce (MDIC). (See Appendix E, Brazilian Government Contacts). SECEX plays a central role in the implementation of directives on trade policy.

Once registered with SECEX, companies must apply for an import license to proceed with a planned shipment. The procedure is normally routine, with a license granted within five days. SECEX has a computerized registration system, called "SISCOMEX", for all export transactions.

Effective January 1, 1997, export transactions were included in this system, which enables importers to receive their licenses automatically via modem. SECEX home page is: www.mict.gov.br

Joint Ventures/Licensing

Establishment of joint ventures is a common practice in Brazil. A major motivation for joint ventures is to pair foreign firms with Brazilian partners to compete in segments of the government procurement market or in other markets subject to government regulation, such as telecommunications, computers and capital goods. Formation of a joint venture can be accomplished through a variety of business entities, the most common of which are "sociedades anônimas" and "limitadas", which are similar to limited partnerships and limited liability companies under U.S. laws.

Licensing agreements are common forms of accessing the Brazilian market. Use of a competent local attorney in structuring such an arrangement is advised. All licensing and technical assistance agreements, including trademark licenses, must be registered with the Brazilian Industrial Property Institute (INPI). (See Appendix E - Country Government Agencies.)

Steps to Establishing an Office

Either setting up a company in Brazil or acquiring an existing entity are options for investing in Brazil. Setting up new companies is relatively easy and inexpensive. Acquisitions of existing companies are monitored by the Central Bank. For further information please contact the Secretariat of Foreign Trade - SECEX or the Consulate in New York City. (See Appendix E, U.S. Contacts.)

Branch offices are difficult to form, whereas corporations (sociedades anonimas) and limited liability companies (limitadas) are relatively easy to form. Capital registration with the Central Bank is required for access to foreign exchange, capital repatriation, and profit remittance.

Brazil's capital requirements are nominal in general, but are significant for the establishment of financial institutions. When selecting the site of an investment, potential local investment incentives should be carefully considered.

For further information, consult the Ministry of External Relations' homepage at http://www.mre.gov.br.

Selling Factors/Techniques

Sales of industrial products are typically price-driven. However, with the opening of the market to imports in the early nineties, quality has become increasingly more important, particularly for companies seeking to modernize their production methods. After price and quality, delivery and after-sales servicing are the most important factors. Sales of consumer goods tend to be principally affected by brand name rather than price and quality.

Special price discounts are a common sales tool in the industrial and consumer/retail segments. As a rule, most final sale products tend to have substantial markups, thereby allowing for a price reduction when the actual sale takes place.

Advertising and Trade Promotion

Advertising in specialized trade and technical publications is an important marketing tool in the Brazilian market. With its well-established and diversified industrial sector, Brazil has a variety of specialized publications that serve the industrial and business communities. U.S. firms wishing to sell in the Brazilian market should not ignore advertising in these trade publications.

The major Brazilian newspapers are: Jornal do Brasil, O Globo, Folha de Sao Paulo, O Estado de Sao Paulo, Valor and Gazeta Mercantil; major news magazines are: Veja, Isto É, Época and Exame.

Brazil is home for many well-established and sophisticated advertising agencies, with first-world standards and a high level of creativity. TV advertising is highly developed and plays an important role in the promotion of consumer goods and food products.

Participation in Brazilian trade fairs is another important marketing tool. The city of São Paulo hosts around 300 trade fairs per year, many of international quality and reputation. The U.S. Department of Commerce participates with a U.S. pavilion in several high quality trade shows in Brazil.

With the opening of the U.S. Commercial Trade Center in São Paulo, U.S. companies may also make use of its facilities for solo events, technical seminars and special meetings. (See Appendix G for USCS Brazil's Trade Events Schedule for 2000/01.)

Pricing a Product

With the high inflation rates that prevailed in Brazil for more than two decades, product pricing was an inexact science at best. With inflation rates averaging 30% per month, companies usually just added the "expected" monthly inflation rate to the current price. When sales needed to be pushed upward, the method of increasing the price followed by a "discount" was commonly used. Another common pricing strategy is the use of installments for most consumer goods. However, with the implementation of the new currency, the "real", and 1999 monthly inflation averaging less than 1/2 of 1%, pricing methodologies have been reconsidered and revised.

After Sales Service/Customer Support

Most buyers of industrial goods consider after sales service of utmost importance. All large manufacturers offer good after-sales and customer support service. Quality control is also an important factor. Even the small companies have programs to increase quality control and customer service to improve sales.

Since passage of the “Consumer Protection Law” in March 1992, sales of consumer goods now require customer support and after-sales servicing. Also, Brazilian consumers are gradually becoming more aware of the need to demand these services. An increasing number of Brazilian manufacturers of consumer goods, including food processors, now have customer support services, and toll free customer service telephone numbers.

Selling to the Government

Brazilian government procurement policies apply to purchases by government entities and by parastatal companies. Government procurement regulations contained in Law 8666 of August 1993, which establishes an open competitive process for major government procurement. Under Law 8666, price is to be the determining factor in selecting suppliers, i.e., the bid with the lowest price becomes the provisional winner. Most government procurements are open to international competition, either through direct bidding, consortia or imports. However many of the larger bids (e.g. military purchases) become very political and are done through “sole sourcing” or “national security” arrangements that exclude competition. This kind of purchasing does often require an act of congress, which can be difficult and time consuming. Brazil is not a signatory of the GATT procurement protocols and as such does not necessarily use the same procedures as in the developed countries of GATT in the area of public procurement. International bidding is required for all procurements with international development bank funding, i.e. the Interamerican Development Bank, the World Bank, etc. The Brazilian executing agencies of IDB loans require international bidding above specific ceilings, according to IDB procurement guidelines. For example, consultant contracts require international bidding above US$200,000 and civil works above US$5 million. However, portions of major projects financed by IDB may not require bidding where local Brazilian counterpart funding is involved.

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

In practice, it is difficult for Foreign Service firms to operate in the public sector in Brazil unless in association with a local firm. To be considered Brazilian, a firm must have majority Brazilian capital participation and Brazilians -- "operational control." A Brazilian State enterprise is permitted to subcontract services to a foreign firm if domestic expertise is not available for the specific task. A foreign firm may only bid for government contracts to provide technical services when no qualified Brazilian firms exist.

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

A U.S. supplier may find that inclusion of local purchases of Brazilian goods and services within its bid, or significant subcontract association with a Brazilian firm, will improve the chances for success. Similarly, a financing proposal that includes credit for the purchase of local goods and services for the project will be more attractive.

Advance descriptions of a U.S. suppliers' capabilities can often be influential in gaining a bid contract. These early proposals can be effective even before the exact terms of an investment plan are defined or the project's specifications are completed. Such a proposal should include financing, engineering, and equipment presentations.

Protecting your Products from IPR Infringement

Brazil is a signatory to the Paris, Bern, and Universal Copyright conventions on intellectual property rights (IPR) protection.
The National Institute of Industrial Property (INPI – www.inpi.gov.br) is the government entity responsible for industrial property rights, and examines requests for patents and registration of trademarks.

In order for an invention to be protected, it must be patented in Brazil. Brazil is a member of the Paris Convention and thus U.S. patent holders have an exclusive right to apply for patents during certain periods: 6 months for industrial designs, and 12 months for inventions and utility models (a new arrangement of known materials which improve a product). A patent holder must use the patent commercially or the patent lapses. Food, medical, chemical-pharmaceutical products or preparations, and microorganisms are patentable. Foreign patent holders have expressed concern about INPI's slow processing of patent applications.

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

Copyrights are protected regardless of whether or not they are registered. Infringement is punishable by imprisonment and civil damages may be awarded. The registration of software prior to marketing is no longer required. However, registration is recommended. Brazil's new software law meets the TRIPS accord framework. It addresses protection of software programs, and modifies definitions of reproduction, publication, transmission, and distribution. This provides protection especially against large distributors of pirated software including producers of hardware and CDs. Nevertheless, there has been some concern with enforcement of videocassettes, sound recordings, books and computer software entering the market.

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

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

(See the Protection of Property Rights section in Chapter VII for additional information on Brazil's IPR regime.)

Need for a Local Attorney

Securing competent local legal representation is a fundamental step in establishing a commercial presence in Brazil when intellectual property licensing or protection is involved, or where investments involve local manufacturing or local investment incentives. (See Appendix E, List of Attorneys.)

Performing Due Diligence/Checking Bona Fides Of Banks/Agents/Customer

Because laws regulating commercial agreements and commercial transactions vary from country to country, the U.S. Commercial Service strongly encourages all U. S. companies to conduct legal and financial due diligence before completing a commercial transaction or formalizing an agent/representative agreement outside of the U.S. In Brazil, the Commercial Service can provide U.S. companies with lists of well-known and respected credit rating companies and law firms to assist U.S. firms to conduct credit checks on potential customers or to obtain important legal advice before signing commercial agreements. This is especially important in Brazil and especially in the privatization process or in matters involving government regulations. A significant number of U.S. companies have encountered, very substantial tax binders that were unexpected in their investments in Brazil as well as in the regular course of doing business. We strongly recommend that any areas of doubt (concerning taxes) be clarified by a written opinion of the Receita Federal in Brazil (see tax section below).

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services

The following best prospects are ranked by estimated US$ total U.S exports over the coming year. (See Appendix H, Guide to Commercial Services, for a list of trade specialists responsible for the following sectors.)

RANK:	Name of the Sector:
01	Computer Hardware and Peripherals
02	Oil and Gasfield Machinery and Services
03	Telecommunications
04	Computer Software
05	Medical Equipment and Devices
06	Automotive Parts and Safety Equipment
07	Security and Safety Equipment
08	Pollution Control Equipment and Services
09	Drugs and Pharmaceuticals
10	Metalworking Machinery
11	Electrical Power Systems

12	Mining Equipment
13	Building Products
14	Agricultural Machinery and Equipment
15	Plastics Production Machinery
16	Construction Machinery
17	Food Processing and Packaging Machinery
18	Franchising
19	Sporting Goods and Recreational Equipment
20	Defense
21	Internet Services and E-commerce
22	Architectural/Construction/Engineering Services

A. Rank: 01
B. Name of Sector: Computer Hardware and Peripherals
C. ITA Code: CPT

Comments: The computer hardware sector is one of the leading sectors in Brazil with a reported market of approximately US$ 7.3 billion in 1999.
In the first quarter of 2000, the computer hardware and peripherals segment grew by almost 80% in Brazil, in comparison to the same period of 1999 (a significant sales decrease was attributed to the local currency devaluation by 50% in January 1999). Such growth surpasses the 50% average growth in Latin America. According to industry experts the increase in PC sales is due to the Brazilian Internet boom. A large number of Brazilian ISPs are promoting free access to the Internet and stimulating partnerships with the local industry in order to facilitate computer financing plans to end-users.

In 2000, the computer hardware sector in Brazil is likely to continue expanding substantially in the near term as industry and commerce continue important automation upgrades, and the number of home users continues to boom.

Approximately 2.5 million PC units were manufactured in 1999 and 1.5 million desktops were sold in Brazil in 1998, with 38% purchased by the SOHO (Single Office Home Office) market. PC use is growing with the increased use of the Internet segment, reported at US$ 505 million in 1999. Online sales are projected to grow ten times the 1999 value by 2003, according to International Data Corporation (IDC) e-commerce estimates.

Most PCs in Brazil are locally manufactured by global players including IBM, Compaq, ABC Bull, Hewlett-Packard, and most recently Dell Computers in the South region. Brazilian manufacturers include: Itautec, Microtec, UIS and Tropcom. Companies manufacturing PCs locally receive fiscal benefits through the “Basic Productive Process”(PPB) which assures more competitive prices to PC local manufacturers as long as they invest 5% of their gross revenues in research and development in the sector. In these cases, Brazilian made PCs retail at a price up to 35% less than imported ones.

Personal computers, video monitors, printers and digital switchboards are currently subject to a 30% import tariff, which makes competition
with local manufacturers stiff, especially when considering the local manufacturing PPB benefit. The PPB benefit came into force in April 1993 and was scheduled to expire in October 1999.

Most computer hardware imports into Brazil consist of peripherals, assessories and components related to manufacturing. U.S. exports held 85 % of import market share in 1998. Best prospects for U.S. exports of computer hardware include: laptops, scanners, printers, DVDs, handheld devices, network products, storage devices and quickcams.

Other hardware and peripheral products have an average import tariff of 18 %. By the year 2006 import tariffs for computer-related products are projected to be 12-16%. The tariffs will steadily decrease as Brazil adapts tariff levels consistant with the other Mercosul countries.

COMPUTER HARDWARE
(US$ millions)

	1998	1999	2000(*)
Market Size	5,971	6,269	7,146
Local Production	3,799	3,989	4,547
Exports	235	247	281
Imports	2092	2,197	2,504
Imports from the U.S.	1781	1,870	2,132

(*) Statistics are unofficial estimates. Statistics for 2001 are not yet available and will be updated as soon as possible.
Exchange Rate: US$ 1.00 = R$ 1.80 (July 2000)
Source: IDC, ABINEE

General statistics and projections currently available on PC sales are as follows:

YEAR **Growth**	**Desktops sold** (in thousands of units)	**Notebooks sold** (in thousands of units)
1998	1,492	70,968
1999 4,4 %	1,461	74,570
2000 14 %	1,656	88,070
2001 15.9 %	1,918	103,750
2002 16.2 %	2,226	121,600
2003 15.9 %	2,581	141,910
Cumm. Growth ***13.3 %*** 1998-2003		

Source: IDC Brasil

Rank: 02
Name of the sector: Oil and Gasfield Machinery and Services
ITA Code: OGM/OGS

Comments: The petroleum industry in Brazil continues to evolve into a more competitive environment, under the watchful supervision of ANP, the Brazilian Government's Petroleum Regulatory Agency. Since the demise of the Brazilian Constitutionally-mandated petroleum monopoly in 1995, ANP's role, in addition to de-regulating the sector and guaranteeing a level playing field, has been to secure a steady inflow of foreign risk capital into Brazil, intending to lead to the country's self-sufficiency in hydrocarbons at some not-too-distant future date. The Agency's focus has been directed to downstream fraud prevention, principally in distribution including large-scale tax evasion of local gasoline distributors; removing regulatory and fiscal impediments to upstream oil investment and operation; and setting up a Second Round of Bidding for oil blocks, to be auctioned early in June 2000. ANP is focusing on the smaller oilfield investors (rather than the large multinationals as was the case of the First Round of Bidding) and therefore has lowered its bureaucratic and fee requirements for the ten onshore and thirteen offshore, oilfield blocks offered. The Brazilian market for oil and gas machinery and equipment was forecast at US$ 5.8 billion in 1999, of which over US$ 1.8 billion (31%) is represented by imports. With the continued removal of barriers to trade and investment in this sector, the market is expected to continue growing at high average yearly rates: 15% (total oil market) and 20% (imports) over the next five years. PETROBRÁS, the Brazilian Government-owned Oil Company, is expected to remain the principal player in the Brazilian petroleum scene for years to come, notwithstanding the presence of noted U.S. and foreign oil sector heavy-weights. The recently-elected PETROBRÁS board members intend to refocus on the core business: offshore oil production, and consequently sell off part of its assets deemed non-essential to its operations (such as oil refineries and petrochemical complexes). Nevertheless, the company is staging a comeback in the petrochemical sector, with the express intent of participating in possibly 30% of the equity of Rio Polímeros, Brazil's first natural gas-based petrochemical complex to be located alongside the PETROBRÁS REDUC refinery in Duque de Caxias, State of Rio de Janeiro. The parastatal is, however, reviewing its role in the production of natural gas. Despite the problems – principally a still very high-tax and high-interest business environment – Brazil can be considered today one of the most attractive markets in the world for oil operators and investors alike.

Petroleum sector best prospects:	(US$ billions)
Offshore petroleum exploration services	1.4
Offshore production equipment	.8
Onshore exploration services	.4

	1999	*2000	*2001
(US$ millions)			
Total market	5.792	6.660	7.659
Local production	3.924	4.437	5.054

Exports	140	150	160
Imports	1.728	2.073	2.449
Imports from the U.S.	1.250	1.492	1.759

* Statistical data are unofficial estimates
Source: PETROBRAS/Brazilian trade and industry analysts

A. Rank: 03
B. Name of Sector: Telecommunications
C. ITA Code: TEL

The Brazilian telecommunications sector is the largest in Latin America, with an estimated market of US$ 8.3 billion in 2000. The telecommunications sector is among the most progressive in Brazil due to the large scale privatization, which was concluded at the end of 1999, and the introduction of open market competition. Pent up demand for basic wireline and cellular service makes Brazil the most attractive market in the region.

The Brazilian import market for U.S. telecommunications equipment and components in 2000 will surpass US$ 1 billion out of a total expected market – both imports and local production -- of US $ 8.3 billion. The U.S. holds the lion's share of the import market with 83 percent of all telecom imports coming from the U.S. Japan has 20 percent, Germany 15 percent and France 10 percent. The above three countries are U.S. principal competitors.

Investment in the telecommunications sector in Brazil is expected to reach US$ 64 billion during the period of 2000 - 2005. In 2000, investments are expected to reach US$ 10.5 billion and US$ 10.90 billion in 2001.

From 1946 until 1995, the telecommunications sector in Brazil operated under the aegis of the Brazilian Government. During this period, the government held a monopoly in local, long-distance and international telecommunications. Then, on August 15, 1995, the Brazilian Congress voted to end the state telecom monopoly in Brazil, through the approval of Constitutional Amendment Nº8, which authorized the entry of private, domestic and foreign investment into the Brazilian telecommunications sector. In addition, the amendment created a new regulatory entity for this sector, Anatel.

The 1997 General Telecommunications Law, which ended the state monopoly and altered the government's role from supplier to regulator of services, radically changed the Brazilian telecommunications. The General Telecommunications Law also defined the basic organization of telecom services and determined the conditions for the privatization of the government run Telebrás system.

In 1998, the government privatized the Telebras system by breaking it into 12 separate holding companies -- three regional fixed-line companies, eight regional cellular providers, and Embratel, the international long-distance company. The government then sold its controlling interest to private investors for $19 billion. MCI, the only U.S. firm to win a bid in the privatization process, obtained a controlling stake in Embratel. Other purchasers of these new operators were various consortia of firms from Brazil, Spain, Portugal, Italy, Canada, and other countries. In particular, Spain's Telefónica de España displayed a strong presence in the privatization process.

Later, the government also issued licenses to four new companies (known as "mirror" companies) to compete with the newly privatized, formerly state-owned firms: three licenses for competitors to the three established wireline operators, and a fourth license for a new competitor to Embratel. To increase competition in the telecommunications sector, Anatel also auctioned off eight licenses for new cellular companies. These new Band B operators compete with each of the formerly state-owned cellular operators, operating in Band A, in their respective geographic service areas.

After much debate and lobbying from both U.S. and European manufacturers on behalf of their standards, the new licensees, both wireline and wireless, agreed to abide by the guidelines on building infrastructure and to meet certain service quality standards which were aimed at improving Brazil's telephone system. Almost all of the goals and performance criteria established by Anatel have been met, with a few exceptions. When Anatel's standards are not met, the agency is authorized to levy fines of up to 50 million reais (approximately US$27 million).

As of this writing, competition in Brazil's wireless market will evolve with the introduction of personal communications system (PCS) services slated for later this year. Anatel is in the process of awarding new PCS licenses in 2000, with services expected to begin in the first half of 2001. The agency chose the 1800 MHz range, which favors the European standard. Full wireless connectivity to voice, video data and internet – or 36 services have not been specified yet.

	1998	1999*	2000*
(US$ millions)			
D. Total Market	8,440	8,109	8,353
E. Local Production Equip	3,400	3,530	3,570
F. Local Production Serv	3,500	3,665	3,679
G. Total Exports	223,8	381,1	396
H. Total Imports	1,764	1,296	1,500
I. Total Import from U.S.	949	1,079	1,215

I. Exchange Rate: US$ 1.00 = R$ 1.85 (June 2000)
* The above statistics are unofficial estimates.
Source: ABINEE, Associacao Brasileira da Industria Eletrica e Eletronica

A. Rank: 04
B. Name of Sector: Computer Software
C. ITA Code: CSV

Comments: In 1999, once more the Information Technology (IT) industry has outpaced Brazilian economic performance. While the Brazilian GDP has grown 1%, the IT sector has grown 15.3% more than the previous year. IT's dynamic activities in Brazil are nothing new. During the last five years (1994 to 1998), this market has had an average annual growth of 18.6%, while during the same period the GDP has not grown beyond 3.35%. Hence, the IT market has been increasing its GDP share.

The software market in Brazil is comprised of the demand by specific sectors of the economy (vertical segment) for specific solutions for knowledge, and of the demand for technologies or applicable methodologies, in a more general way, in several areas (horizontal segment). In the vertical segment, the most important business areas are finance, industry, commerce, the public sector and telecommunications. In the horizontal segment, the application areas that exceed the average growth rate are the systems for managerial administration (ERP) or Electronic Management of Documents and Services.

Best prospects for U.S. exporters include Enterprise Resource Planning, Database, Support, Network and Communication, Desktop Applications, Entertainment, Development Tools & Languages, Industry & Commerce Automation. Many suppliers attribute their success to their marketing programs to increase medium and small size customer's awareness of the need to improve organizational management and gain competitiveness.

In 1999, the Brazilian Association of Software (ABES) reported that Brazil imported US$ 1 billion in software from foreign companies. Of this total amount, U.S. imports reach US$ 800 million compared to just US$ 200 million from other countries, predominately Israel, Germany and France. In general, Brazilian consumer welcome imports in this sector.

(In US$ million)	1998	1999	2000
D. Total Market Size	3,700	1,560	2,006
E. Total Local Production	1,900	760	1,000
F. Total Exports	-	-	-
G. Total Imports	1,800	800	1,006
H. Imports from the U.S.	1,400	640	800

The above statistics are unofficial estimates.

(*) Source ABES - 1999 Estimated Exchange rates: values expressed in U.S. dollars
- US$ 1.00 = R$ 1.75 (May 2000)

Sources: ABES - Brazilian Association of Software
Secex - "Secretaria de Comércio Exterior" - Foreign Trade Office of the Ministry of Industry Commerce and Tourism of Brazil

A. Rank: 05
B. B. Name of Sector: Medical Equipment and Devices
C. ITA Code: MED

Brazil is the largest medical market in Latin America. The total market for medical equipment in Brazil should continue to expand at a rate of 9.5% per year through 2001, with solid local production and a sizeable import market.

Brazil imported US$ 2.5 billion in medical products in 1999, almost 19% over 1998. An annual 9.5% growth rate should continue through 2001. The U.S. accounts for 50% of the import market. United States sales have traditionally been made through Brazilian agents, distributors and importers who sell to hospitals and clinics. There are few quality Brazilian manufacturers of high tech domestic products, and reliance on imports will generally continue. Local buyers view U.S. and other international products (North American and European) as having equally good quality and reliability. Financing often becomes the differentiating criteria in making the sale.

There are some 3,000 equipment and supply distributors in Brazil, however, only some 500 have revenues exceeding US$12 million. Excluding the direct sales networks of individual multinational manufacturers, virtually all distributors are regional rather than national.

In addition to the attractive size of the Brazilian medical market, U.S. exporters should consider the opportunities offered by the Mercosul, and use Brazil as a "spring board" for export into the region. Since compulsory product registration before sale is required in the entire region, U.S. exporters should consult a local lawyer/consultant before signing a contract with any agent/distributor. (Please, see "Non-Tariff Requirements" below).

The rapid expansion of Brazil's private health care market offers the best import opportunities. Traditionally, the public system operates old facilities, with electrical/ architectural problems. The private entities such as universities and even religious organizations around the country offer new opportunities for both U.S. equipment and training/management services suppliers. Interested U.S. suppliers should look for opportunities beyond the larger communities of São Paulo and Rio de Janeiro (both in Southeast Brazil), particularly to the Northeast, states of Bahia, Ceará, Pernambuco, Paraiba and Rio Grande do Norte; to the Southeast, states of Minas Gerais and Espirito Santo; to the Center West, states of Goias and Mato Grosso do Sul, and to the South, states of Parana, Santa Catarina and Rio Grande do Sul.

In Brazil, Argentina and Chile, the greatest opportunity for U.S. exporters is in this growing private healthcare sector. The sector has largely emerged since the economic stabilization of the mid-90s. With increased disposable family income, individuals seek the better care and access found in the private sector. With continued economic development, this sector is expected to continue its rapid growth.

The economic incentives of the private healthcare system stimulate the need for U.S. equipment and devices. Private health plans collect fixed monthly premiums, and are profitable to the degree that they can best control clinical services and costs. U.S. strategies and equipment offer a higher rate of investment and attractive return.

Providers traditionally serving the public sector are increasingly seeking to modernize facilities, opening further opportunities for equipment and device importers. This better positions these facilities to compete for private pay patients. It also positions these facilities to provide clinical services with higher public reimbursement. Most often, these services involve the use of high tech equipment.

Of Brazil’s total medical equipment sales valued at US$3.4 billion in 1998, approximately 60% are to the public sector and 40% are to the private health sector. Brazil's economic difficulties in the first quarter of 1999 slowed government investment plans for public hospitals. However, the continued expansion of the Brazilian private health care sector, particularly in the HMO's (private health care plans) sector was the good news the market needed and should create new opportunities for U.S. exporters, particularly for more advanced medical equipment, disposables, diagnostic devices, implants and components. The total market for medical equipment in Brazil should continue to expand at a rate of 9.5% per year through 2000, with solid local production and sizeable import market, as follows:

(US$ Millions)	1998	1999	2000*
D. Total Market Size	3,400	3,731	4,087
E. Local Production	2,250	2,430	2,595
F. Imports	1,300	1,468	1,664
G. Exports	150	167	172
H. Imports from the U.S.	559	616	682

* The above statistics are unofficial estimates.
Source: SECEX - Brazilian Government Statistics and ABIMO

Public Healthcare

Brazilian government per capita expenditure on public healthcare rose from US$ 100 in 1986 to approximately US$ 247 in 1998. During this same period, the Brazilian population seeking medical assistance from the public sector increased by 17%.

Brazil is highly regionalized. Some 67% of hospitalizations for patients with circulatory illnesses occur in the wealthier South and Southeast, while 55% of patients with infectious and parasitic illnesses are in the poorer North and Northeast part of the country.

Since the 70s the Brazilian government focused on hospital care of patients, rather than concentrating budgets on preventative care and early diagnosis. The Brazilian Health Ministry recently announced plans to shift its focus toward basic care (through clinics), particularly for the poorer population, and to remodel the existing 2,138 public hospitals.

The Brazilian Ministry of Health's $20 billion budget for the 1999-2000 period (through SUS/INAMPS - National Institute for Medical Assistance and Social Security) changed little from that of 1997-1998, and is still considered insufficient by hospital administrators and market analysts. The government plans to invest US$ 900 million on its hospital infrastructure in the next two years, with most of the budget from the World Bank and the Inter-American Development Bank, through the US$ 700 million REFORSUS (Project for Reformulation of SUS) to be implemented between 1997 and 2002. Another US$ 150 million from the Brazilian government will be used for emergency repairs, mainly in maternity units.

The federal government is beginning to decentralize health budget control from the federal to the state and municipal levels. Individual Brazilian states and cities have gradually increased their investment in the public health care sector. The Basic Minimum Program (PAB), implemented by the government through Instruction ("Portaria" # 209/98), provides funding for the period of 1999 – 2002 to improve health care to the poor. This program has already trained 106,000 "community health agents" to provide basic health assistance to the poor. The government announced plans to inject another US$ 750 million into the system throughout 1999 to modernize and re-structure Brazilian non-profit public hospitals which benefit from tax exemption on imports of medical products. Equipment and devices that contribute to cost effective delivery of rural and basic care may represent an opportunity for U.S. companies.

Private Health Care System - Growth Opportunities

Most of the private health plans in Brazil are owned by doctors or group of doctors, joined in a cooperative format. Due to the lack of public funding and less than adequate public services, approximately 40.9 million Brazilians (26% of the Brazilian population) have purchased coverage by Health Maintenance Organizations (HMO's). According to the Brazilian HMO's Association (ABRAMGE), 65% of the plans are small with about 10,000 enrollees, and only 2% have over 200,000. The system (health plans, medical cooperatives, self-insured and indemnity coverage) together had revenues of US$ 3.94 billion in 1998.

The regulation of the *Health Plans Sector* in Brazil, through Law # 9656/98, signed by President Cardoso in June, 1998 introduced new requirements into the healthcare market, including: need to have financial reserves (known as *reservas tecnicas)*, assets re-evaluations, auditing, and other legal requirements. Traditionally, high inflation rates in Brazil allowed local health care plan providers to receive payments at sight and pay the service providers (hospitals and clinics) over a long term, thereby making profit in the financial market. Stabilized inflation in Brazil and these new legal regiments changed that trend.

The new law aims to "standardize" HMO coverage, costs and prices of health insurance in Brazil, eliminating disparities in terms of price and services rendered. The increased competition among companies to provide higher level services has led to a concentration of the market in the hands of fewer, more powerful companies. The prices and services offered by these larger companies are competitively favorable to those of smaller operators. Health insurance companies expect premiums for 1999 of US$ 5.4 billion, and increase of 29% higher from 1998. Three main Brazilian insurance companies (Sul America Aetna, Bradesco and Cigna-Golden Cross) control 74% of the health insurance plans market in Brazil.

Another legislative requirement obliges providers to offer coverage for all medical conditions, including for pre-existing illnesses, (within the limitations of an established grace period). Signature of the law also allowed an “across the board” price increase averaging 15% to compensate firms for the increased costs of these now mandated clinical services. The National Health Supplementary Council, of the Ministry of Health, regulates provider financial reserves, as required by the law.

Another interesting trend in Brazil is the growing market of the Home Health Care Organizations. Brazil now has 43 of this type of care providers, compared to approximately 1,440 in the United States. These organizations are being viewed as a good way to cut hospitalization costs, while offering better services to the patients. Interested U.S. companies can contact ABRAHHCARE - Brazilian Home Health Care Association in São Paulo, Brazil..

A. Rank: 06
B. Name of Sector: Automotive Parts and Service Equipment
C. ITA Code: APS

Comments: The production model adopted by automobile manufacturers has strongly affected the Brazilian auto parts industry over the last few years. The cost reduction programs, production of global models and the global source policy had great impact in the sector. Automobile producers require a great participation of automotive parts manufacturers in the design and development of new products, limiting the number of suppliers to those with financial strength and technological capabilities to offer state-of-the-art products. The partnership between automobile and autoparts producers, resulted in strong consolidation in the industry. The follow source policy attracted a number of international companies to establish manufacturing facilities in Brazil through merges, acquisitions and joint-venture partnerships with Brazilian companies. The participation of international companies in the automotive parts industry increased from 48.1% in 1994 to 69% in 1999.

As a result of increased competition in the industry, the number of automotive parts producers in Brazil dropped from over 1000 in 1997 to about 700 at the end of 1999. In 1999, the sector employed 167,000 people compared to 285,200 in 1990. Total investments in the industry reached a record level of US$ 1.8 billion in 1997, US$1.6 billion in 1998 and US$ 1.0 billion in 1999, of which 71.7% were investments from foreign-owned companies.

The economic downturn in the Brazilian economy in 1998 and 1999, resulted in decreased sales of the auto parts industry from US$ 17.5 billion in 1997 to US$ 14.9 billion in 1998 and US$ 10.4 billion in 1999 and idle production capacity reached a record level of 35%. The expected increased production of automobiles (1,343,633 in 1999 to 1,500,000 in 2000) and increase in exports of automotive parts should result in increased sales and production of auto parts.

Some of the major auto parts global players with manufacturing facilities in Brazil include:

Robert Bosch, Magneti Marelli, Dana, TRW, Tenneco, ZF, Siemens, Federal Mogul, Valeo, Eaton, Delphi, Visteon, Saint Gobain, JCI/Varta, Krupp, Lear Seating, Denso, Continental ITT, Johnson Controls, Meritor, Karman-Ghia, Mahle, Tritec Motors, Sachs Automotive.

Leading best prospects for U.S. exporters include:

Miscellaneus parts and accessories for tractors and automobiles;
Gears and friction wheels, ball axis and rollers;
Joints, gaskets and similar rubber products;
Parts and accessories for car bodies;

Parts for diesel engines;
Ignition switches for vehicles;
Parts for fluid injection pumps;
Parts of diesel engines;
Brakes and its parts for automobiles and tractors;
Automobile rubber carpets;
Miscellaneous parts and accessories for automobiles and tractors;
Gear parts and devices for fixtures, including joints;
Parts and components for internal combustion engines;
Gear boxes;
Injectors for diesel engines;
Axis and its parts;
Diesel engines;
Bearing parts;
Ball bearings

(US$ millions)

	1999	2000*	2001*
D. Total Market Size	10,400	11,600	12,760
E. Local Production	10,400	11,200	12,320
F. Exports	3,600	4,100	4,500
G. Imports	3,600	3,700	4,070
H. Imports from the U.S.	600	600	660

* Statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 1.75 (May 2000)
Source: Sindipecas, National Association of Auto parts Industries

C. Rank: 07
D. B. Name of Sector: Security and Safety Equipment
C. ITA Code: SEC

Comments: The Brazilian market for security and safety equipment is valued at approximately US$ 950 million, consisting of a US$ 500 million market for safety products and a US$ 450 million market for security equipment.

Safety products are almost entirely supplied by local manufacturers. U.S. firms will find better opportunities in the security sector, where foreign products supply about 80% of the market and U.S. products are competitive and have approximately 50% of the import market.

Local trade contacts believe that the market for security equipment will expand at an average rate of 25% per year. The main factor contributing to the expansion of this market is the increasing level of crime rate in Brazil.

Due to lack of government investments in the security area, crime rates are increasing dramatically in large cities. According to a recent survey conducted by the State of Sao Paulo Data Analysis Foundation (Seade), 800,000 people were crime victims in the city of Sao Paulo in 1998. This number represents 7.3% of the population. The same survey also indicated that more than 5,000 people were murdered in the Sao Paulo Metropolitan Area in the first six months of 1999, and that thieves made off with 305,000 cars in Brazil in 1998, about 50% more than the previous year. Security awareness is high in all large cities, and about 2.5 million homes are equipped with some kind of security device.

Also, the establishment of a large number of foreign companies in Brazil in the last few years has been affecting positively the market for electronic security equipment. Those firms require the same levels of security offered in their home countries and demand state-of-the-art technology in their new plants and office buildings.

Best prospects for U.S. exporters are access control systems, burglar alarms, closed-circuit TV systems, and residential security devices.

Market statistics for security equipment.

(US$ millions)	1999	2000	2001*
D. Total Market Size	450	562	703
E. Total Local Production	100	125	157
F. Total Exports	10	13	16
G. Total Imports	360	450	562
H Imports from U.S.	180	225	281

* The above statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 1.90 (June 2000)
Sources: ABESE - Brazilian Association of Electronic Security Dealers, publications and industry contacts.

A. Rank: 08
B. Sector: Pollution Control Equipment and Services
C. ITA Code: POL

Environmental experts estimate that Brazil's environmental technologies market at US$ 2.8 billion in 1999, including equipment, engineering and consulting services and instrumentation associated with pollution control and cleanup projects. The environmental sub sectors are classified as follows: water and wastewater treatment (approximately 60% of the total market), solid waste treatment (domestic, industrial and hazardous) and air pollution control. Basic sanitation demand is estimated at about US$ 35 billion.

Brazil's water treatment market consists of state and municipal companies. The Federal Government establishes sanitation policies, regulations, guidelines and overall supervision of the sector. Often, state companies provide sanitation services for the municipalities under concessions, many of which are about to end by 2005. By this date, about 3,700 municipalities will implement bidding processes to renovate or establish new concession contracts, creating opportunities for private sector companies as service providers; concessionaries; participation in the privatization processes; BOT and joint-ownership.

In 2000, a new law creating the National Water Agency (ANA) will be issued. The agency will coordinate the national water policy and the privatization of state-owned water companies. A law that establishes a charge for water consumption and pollution is also to be issued in 2000, generating financial resources for the necessary investments in the recovery of Brazilian hydro resources. This law will represent an additional cost for industries, which are expected to reduce consumption by using water reutilization and effluent treatment technologies.

According to industry experts, domestic waste destination is one of the major environmental problems yet to be resolved by the Brazilian municipalities. This problem is particularly critical in Sao Paulo, since the capacity of two of the Sao Paulo's landfills will expire by 2002. Strict legislation regarding waste treatment and disposal is also likely to result in increased demand of environmental technologies. Examples are legislation on destination of tires and batteries.

Best prospects for U.S. environmental products and services include: Environmental engineering and consulting services; Management and operation of water and wastewater treatment stations; Equipment and technology for water/wastewater treatment stations, general pollution projects/installations, etc.; Solid waste management technologies: domestic garbage, sludge, co-processing, incineration, recycling, etc.; Clean technologies; Soil recovery technologies; Automation and monitoring systems for water and wastewater treatment plants.

(US$ millions)	1999*	2000*	2001*
D. Market Size	2,800	2,940	3,087
E. Local Production	1,960	2,058	2,160
F. Exports	0	0	0
G. Imports	840	882	926
H. Imports from the U.S.	252	265	278

* Statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 1.75 (May 2000)
Sources environmental consulting firms.

Rank: 09
Name of Sector: Drugs/Pharmaceuticals
ITA CODE: DRG

In 1999 (latest date available), Brazil's pharmaceutical market reached sales of US$ 7.61 billion, as compared to US$ 10.31 in 1998.

Despite the estimated 15 million new consumers that entered the market, consumption of medicament units remained the same as in 1998. This tendency is due to the price increases for medicine in general. Today, the Brazilian consumer demands good quality products at competitive prices. Total sales in 1999 were 0.4% lower than 1998 and 6.8% lower than 1997.

Although total sales are down, imports are up since foreign products are taking an ever large share of the market. According to the Brazilian Association of Pharmaceuticals Industry (ABIFARMA), total Brazilian imports of pharmaceutical products in 1999 was up to US$ 2.5 billion an increase of 10% as compared to 1998. Of that total, nearly US$ 180 million in products was imported from the U.S, Brazil's largest international supplier.

Brazil is the largest market in Latin America and represents 67% of the MERCOSUL market, as shown in the following table:

Argentina	30%
Brazil	67%
Paraguay	1%
Uruguay	3%

Source: World Review

The value of the Brazilian market is almost two times that of Argentina, which is the second in the Latin American market. Of particular notes, Latin America constitutes the fastest growing pharmaceutical market in the world. Of the four MERCOSUL countries, Brazil is arguably the preferred country for investment in the sector. In 1998, Brazil was the 6th biggest market for pharmaceutical products in the world, representing 3% of the total sales worldwide.

In Brazil, health insurance companies do not reimburse patients for medicines purchased outside hospitals. Like most countries in Latin America, over 80% of drug expenses are paid by private means. The average per capita consumption of pharmaceuticals in Brazil is US$ 61 according to current data from the Pan American Health Organization (PAHO). However, this kind of data does not track the purchasing trends of the population nor does it describe how the consumer purchases pharmaceutical products.

Certainly, one of the most problematic areas of the pharmaceutical sector in Brazil is the lack of access most members of the population have to essential drugs. Estimates vary among sources, and from 40% to 50% of the population have limited or no access to needed pharmaceutical drugs.

According to Brazilian legislation, the production, manufacturing, imports, exports and sales of any medical products, pharmaceuticals and cosmetics can only be handled by authorized companies, that are registered with the National Agency for Sanitary Health - ANVS, an agency of the Brazilian Ministry of Health. This is the Brazilian counterpart of the U.S. Food and Drug Administration (for more information on registration procedures, please, refer to Section D - Market Access).

The Brazilian market is composed, basically of:

Laboratories	400
Drugstores	45,000

Hospitals	5,000
Agents/Distributors	1,000
Doctors	150,000
Products	5,200
Direct Employees	47,100
Indirect Employees	250,000

Statistical Data
(US$ millions)

	1998	1999	2000*
D. Total Market Size	10,3	11,0	7,6
E. Local Production	9,5	10,0	10,0
F. Imports	1,0	1,3	2,5
G. Exports	200	300	300
H. Imports from the U.S.	200	200	180

*The above statistics are unofficial estimates.
Sources*:* SECEX - Brazilian Government Statistics and ABIFARMA- Brazilian Association of Pharmaceutical Industries
Average Exchange Rate in 2000 : R$ 1.00 = US$ 1.80

A. Rank: 10
B. Sector: Metalworking Machinery
C. ITA Code: MTL

Comments: The Brazilian Association of Machine Manufacturers (ABIMAQ), estimated that the Brazilian market for machine tools in 1999 was US $ 1.1 billion, an increase of 14.3% over the previous year. Local production of machine tools were US$ 491,262,000, an increase of 2.5% over 1998. The currency devaluation in the beginning of 1999, did not result in decreased imports, which reached a record of US$ 674,481,000, 20% higher than the 1998 figure.

The Brazilian market for machine tools is expected to expand by 15% in 2000, in view of the positive performance of the Brazilian economy (the GDP this year is estimated to grow by 4%), stimulating investments in new machinery or up-grading old equipment. Industry sources have also pointed out that major investments in the automotive sector have not been interrupted because of last year's poor economic performance. Some major investments announced for 1999/2001 include:

Fiat: medium truck plant (Daily); pick-up plant (Ducato) and engine plant ($ 1.2 billion);

Peugeot: automobile plant ($700 million);

Ford: Amazon project, 11 system suppliers at site. Two platforms and 5 models. ($1.4 billion);

Delphi: automotive DVC compressors. ($45 million);

Renault: engine plant. ($ 100 million);

Wiest S.A. upgrade and modernization of exhaust systems/tubular automotive plants. ($ 34 million);

Cummins Engines: plant upgrade and modernization ($ 12 million)

Domestic production of machine tools and exports are also expected to increase in 2000, since the currency has made imported machines more expensive in this market.

After the Brazilian market began to open to imported products in 1990, a number of local producers of machines initiated representation and distribution of international manufacturers whose products complement their production lines. In order to avoid competing with the large volume of local universal representatives of imported machinery in Brazil, representatives tend to search for niche products that also generate higher profit margins. Local representatives of machine tools advertise in technical magazines and participate in major trade shows. Many international machine tool manufacturers open sales offices and "technology centers" comprising of a show room, machine parts warehouse, technical assistance and training.

Major third country suppliers include Germany with 25% of the import market, Italy with 18%, and the US with 15%.

The best U.S. export prospects include CNCs, accessories for machine tools and auxiliary equipment.
(US$ millions)

	1999	2000*	2001*
D. Total Market Size	1,055.5	1,203.7	1,330.8
E. Total Local Production	491.3	540.4	594.4
F. Total Exports	110.2	112.4	116.9
G. Total Imports	674.5	775.7	853.3
H. Total Imports from the U.S.*	101.2	116.4	128.0

* The above statistics are unofficial estimate.
Exchange Rate: US$ 1.00 = R$ 1.75(May 2000)
Source: Brazilian Association of Machine Manufacturers (ABIMAQ/SINDIMAQ)

A. Rank: 11
B. Sector: Electrical Power Systems
C. Code: ELP

Comments: The total Brazilian market for electrical power equipment (ELP), including generation, transmission, and distribution segments, is estimated to have reached US$ 2.02 billion in 1999 -- up 0.4% from the previous year in terms of local Brazilian currency levels. Translated into dollars, this market dropped about 35% as a result of the devaluation of the Brazilian Real against the U.S. dollar in January 1999.

The devaluation caused a number of power distribution companies to reevaluate their investment plans to offset high debts contracted in US dollars, some of which was caused by the mandatory purchase of electricity from Itaipu Binational charged in US dollars. Concurrently, power utilities argued that the GOB did not adjust electricity rates to levels to reflect the devaluation, and remunerate investments. The modest power industry market growth in 1999 resulted also from the slow pace of hydro power generation and transmission line tenders carried out by the GOB. Environmental issues and the complex Brazilian public tender legislation delayed the GOB bid processes, whereas the parallel thermal power generation (mostly natural-gas based) program faced a series of obstacles and did not advance, as planned.

The scenario in 2000 has improved to a certain degree, and the outlook for the next three years is favorable. Power utilities resumed investments spurred by the need to retain and gain electricity clients in face of the gradual opening of the power market. (Note: By July 2000, all electricity consumers with power loads equal or larger than 3 MW will be free to select a power supplier. As of 2003, power liberalization will be expanded, and competition is expected to be stiffer.) Quality in energy delivery and effective electricity measurement will make a difference in the companies's dispute for clients. Consequently, substantial investments are under way in substation automation/tele-operation, power measurement systems, and intelligent load transfer devices, to cite a few types.

In the power generation arena, the GOB approved a new auction process to speed up hydropower generation and transmission line biddings. For the 2000-2001 timeframe, nearly 10,000 MW of hydropower potential are scheduled to be tendered for service concession. A total of 4.5 thousand miles of three major transmission lines will be open for tender in the near term with estimated investments of over US$ 1 billion.

The ambitious thermal power generation program launched by the GOB for fifty new plants, although currently halted due to pending issues on the price of natural gas, electricity rate adjustment, and lack of purchase power agreements, is expected to proceed in the medium-term. If not all, at least eight projects should be operational by the end of 2003, according to estimates by trade contacts.

Export opportunities for U.S. companies hold good prospects in the natural-gas power generation market since locally established manufacturers can only supply about 55% of this thermal power market. Currently, hydro power plants account for over 90% of total power generation in Brazil. The few existing thermal power plants over 10 MW in Brazil are predominantly fuel-oil based, followed by coal, and nuclear.

Over twenty power distribution companies have been privatized to date with the U.S. as the lead investor followed closely by the Spanish. The second phase of the GOB's power privatization process, through which major bulk energy suppliers will be sold, depends mainly on political consensus to progress. The program may begin by selling off about five old thermal power plants independently, leaving the major hydro power blocks for a second phase - - tentatively for 2001.

Brazilian electrical power companies are now required to invest in energy efficiency programs. GOB officials estimate a market of $250 million a year as a result of the new regulation to reduce Brazil's annual energy wastes of about $2.5 billion. Additionally, PROCEL, the GOB energy efficiency agency, with the support of USAID, the United States Agency for International Development, is negotiating a $125 million loan with the World Bank to improve the efficiency of electricity supply and use. The loan was approved by the Brazilian Congress in January 2000, and final signings may take place before July 2000. U.S. energy saving companies (ESCO'S) are expected to find gradual business opportunities in this area of the Brazilian market.

Renewable energy (excluding hydro) is still considered costly in Brazil and geographically limited. Biomass, particularly sugar bagasse, and solar energy can be expected to offer opportunities in the short to medium term given Brazil's large sugar cane production and abundant solar exposure. Through the State and Municipality Development Program (Prodeem), decentralized electrical systems, primarily photovoltaic panels, have been installed in rural communities. The Prodeem's goal for the 1999/2001 period is to supply electricity to 10,000 - 15,000 rural communities a year.

(US$ millions)	1999	2000*	2001*
D. Total Market Size	2,025	2,120	2,373
E. Total Local Production	1,870	1,963	2,195
F. Total Exports	160	168	173
G. Total Imports	315	325	351
H. Total Imports from U.S.	63	70	122

* Statistics are unofficial estimates from trade sources.
Exchange Rate: US$ 1.00 = R$ 1.82 (May 2000)
Sources: Brazilian Association of Electrical/Electronic Industries (ABINEE)and Eletrobras.

A. Rank: 12
B. Name of Sector: Mining Equipment
C. ITA Code: MIN

Comments: The Brazilian market for mining equipment is one of the largest in the world. Brazil is a major producer of several minerals, especially iron ore, gold, bauxite, kaolin, manganese, phosphate rock and niobium. It is the fifth largest mineral producer in the world. The mineral potential of the country has not been fully assessed and ongoing geological surveys may still find significant deposits. There are also many well-known deposits that are not being currently exploited, but that could be developed in the future if world market prices increase.

Most of the mining activities in Brazil are open pit. The local market for underground mining equipment is relatively small, when compared to the market for open pit mining. In the medium term (three to seven years), we expect to see a trend to increase the number of underground mines. The largest installed mining operations are for iron ore, with total output of nearly 200 million metric tons of processed ore in 2000.

CVRD, Companhia Vale do Rio Doce, the largest Brazilian mining company, is responsible for nearly 23 percent of the mineral output of this country, in terms of value. CVRD was privatized in May 1997, and there are no longer any significant state-owned mining operations in Brazil.

MBR (iron ore, US$250 million), CVRD (copper, US$400 million), and Anglo American (gold, nickel US$50 million) have the largest investment projects planned for Brazil: The largest mining investment planned for the coming years in Brazil is the Salobo project, a joint venture between CVRD and the Anglo-American group. The project calls for an investment of more than US$1 billion to produce copper and gold in the north of Brazil. Extensive geological and metallurgical research has been done, but the project has been on hold for several years. Market sources have recently informed that the project may not be feasible in the medium term, based on current metal prices.

(US$ millions)	1999*	2000*	2001
D. Total Market Size	2,810	2,970	3070
E. Total Local Production	2,950	3,100	3200
F. Total Exports	330	330	350
G. Total Imports	190	200	220
H. Imports from the U.S.	90	93	96

* Statistics are unofficial estimates
Exchange Rate: US$1.00 = R$1.82 (June 2000)

C. Rank: 13
D. Name of Sector: Building Products
C. ITA Code: BLD

Comments: In 1999, building product sales in Brazil were approximately US$ 24 billion, an increase of 10% over 1998. Preliminary data from January to May 2000 collected by the Brazilian Association of Construction Material Retailers (ANAMACO), indicated that sales levels during the period increased 3.5% compared to the same period of 1999. Local trade contacts expect that the market will increase about 4% in 2000.

The Brazilian market for building products is largely supplied by local firms that have a solid presence throughout the country. Imports of building products started a few years ago and represent only a little over 1% of the market. Imports from the United States in 1999 were approximately US$ 72 million, equivalent to 30% of the import market.

The construction method in Brazil relies heavily on inexpensive and abundant manual labor, with predominant use of brick and concrete. Use of pre-manufactured products is scarce. Therefore, one of the major difficulties faced by U.S. manufacturers of building products is the lack of standard measurements in Brazil. However, an interest in standardization and more efficient ways of construction is expanding quickly among constructors and building product manufacturers. It should not be long until the market becomes more advantageous to suppliers of pre-manufactured products, like those offered by most U.S. manufacturers of building products.

Best prospects for U.S. exporters include electrical outlets, bathroom fixtures, floor coverings, insulation and waterproofing products, and builder tools. The Market for products designed to match the traditional wood or steel-framed U.S. houses is almost non-existent in Brazil. U.S. manufacturers of such products need to make considerable investments to gain consumers' acceptance and introduce the product in the market.

(In US$ million)	1999	2000	2001
D. Total Market Size	24,000	24,960	25,960
E. Total Local Production	24,640	25,660	26,720
F. Total Exports	880	950	1,020
G. Total Imports	240	250	260
H. Imports from the U.S.	72	75	78

The above statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 1.90 (June 2000)

Sources: Brazilian Association of Building Products Retailers (ANAMACO), Association of the Construction Industry (SINDUSCON), and other industry sources.

Rank: 14
Name of Sector: Agricultural Machinery and Equipment
Code: AGM

Comments: Despite the fact that the Brazilian agricultural market has great potential due to its large geographical area, less than 17% of Brazil's cultivable land usage is profitable. Agricultural production and processing is concentrated in the South and Center South, but new cropland areas are opening in the Center West and Northeast, and these regions are gaining significance in the agricultural scenario.

The total market for agricultural machinery in Brazil was estimated at US$ 1.78 billion in 1999, with local production around US$ 1.76 billion and US$ 110 million in imports. Imports from the U.S. constitute approximately 56% of total the import market or US$ 62 million in 1999, with Italy, Australia, Sweden, Israel, France, Holland and Japan also holding significant market share in certain sub-sectors.

Local farmers, taking advantage of the 1999 Brazilian currency devaluation, substantially increased purchases of domestically manufactured agricultural machinery and aimed to boast production of agricultural products directed to foreign markets. This situation did not favor foreign suppliers of conventional agricultural machinery, which, besides having to deal with the disadvantageous exchange rate, also have to compete with efficient distribution channels, local technical assistance, and access to federal sources of financing provided to Brazilian firms manufacturing similar products. However, this scenario did not seriously impact U.S. exporters of more advanced agricultural machinery, which holds the best market potential, due to the limited local availability of these products.

Best U.S. export prospects in this sector include sophisticated, state-of-the-art machinery with higher efficiency level, including the following equipment (1) post-harvesting machinery; (2) cleaning, sorting, grading, milling and working cereals, seeds, vegetables and grains machinery; (3) poultry equipment; (4) irrigation equipment; (5) fruit sorting and grading machines; and (6) GPS and precision agriculture devices.

(US$ Millions)	1999	2000*	2001*
A. Total Market	1,778	1,866	1,959
B. Local Production	1,769	1,857	1,949
C. Total Exports	102	107	112
D. Total Imports	110	115	120
E. Imports from the U.S.	62	65	68

* The above statistics are unofficial estimates.
Source: Abimaq, Embrapa, Ministry of Agriculture, Siscomex and Industry specialists.

A. Rank: 15
B. Sector: Plastics Production Machinery
C. ITA Code: PME

Comments: Despite the lack of statistics from industry associations or government agencies, industry sources deem that the market for plastics production machinery in 1999 remained at the same level as in 1998, due to a downturn of the Brazilian economy in 1999. Production of automobile and household appliances, major end-users of plastics production machinery, was lower in 1999 compared to 1998.

Sales revenues of the plastics industry in 1999 were estimated at US$ 7.5 billion, compared to US$ 9.5 billion in 1998. Reduced revenues resulted from the currency devaluation of the beginning of 1999. However, Brazilian consumption of thermoplastics resins in 1999, increased by 3.8% over the previous year, indicating that the plastics industries increased the amount produced.

The globalization of the Brazilian economy has been attracting a number of international plastics production machinery manufacturers to build plants in Brazil. Some examples include Logoplast, which built a plant in Brazil to supply Revlon. In 1999, the Italian group Piovan started a new plant to produce machine peripherals (mills, grinders and dryers). Krupp also built a blow molding machine plant in Brazil.

Ermo and Sermo, French mold and the Portuguese company Moliporex, established plants in Brazil to supply automobile plants.

The plastics machinery currently in use in Brazil include 27,000 plastics injection machines (estimated 500-600 annual demand), 5,500 plastics extrusion machines (estimated 300 annual demand) and 7,000 plastics blow molding machines (estimated 300 annual demand).

Leading best prospects for U.S. exporters include:

Some special heavy injection machines;
Structural foam injection molding machines,
CNC injection molding machines,
Rubber parts injection molding machines,
Machine for manufacturing polyurethane foam
Special heavy plastics extrusion machines,
Tubular or fiber optic cable coating extrusion machines,
Co-polymer extrusion system
Integrated cooper wire extrusion machines
Heavy blow molding machines
Automatic thermoplastics molding machines
Heavy vacuum forming machines
Machines for pressure/vacuum thermoforming
Machines for filling dies with polyurethane

(US$ millions)

	1999	2000*	2001*
D. Total Market Size	801.8	832.6	868.3
E. Total Local Production	471.1	494.7	519.4
F. Total Exports	28.0	28.0	28.0
G. Total Imports	358.7	365.9	376.9
H. Total Imports from the U.S.	57.4	57.4	56.5

* Statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 1.75(May 2000)
Source: Brazilian Association of Machine Manufacturers (ABIMAQ/SINDIMAQ)

A. Rank: 16
B. Name of Sector: Construction Machinery
C. ITA Code: CON

Comments: The Brazilian market for construction machinery in 1999 was approximately US$790 million, a reduction of almost 40% compared to 1998.

According to local equipment manufacturers, sales of construction machinery dropped in 1999 due to the overall slowdown in infrastructure projects. However, the first quarter of 2000 showed signs of recovery and manufacturers expect an increase of 15 to 20% this year compared to 1999. Local trade contacts estimate that imports of construction machinery in 1999 also dropped 40% compared to 1998, accounting for approximately US$ 80 million. U.S. suppliers were responsible for about 50% of the import market share.

The Brazilian market is predominantly supplied by the locally established subsidiaries of multinational firms such as Caterpillar, FiatAllis, Volvo, Case and Komatsu. They also export to other countries, especially to the Mercosur countries formed by Brazil, Argentina, Paraguay, and Uruguay.

Under the Mercosur agreement, a machine with 60% local component can be considered Brazilian product and enjoy import duty exemption when exported to Mercosur countries. To be technically competitive in the international market, local manufacturers import a large amount of components that require high technology. These imports are not computed in the table below, which only reflects the market for construction machinery.

Statistical Data

(US$ millions)	1999	2000	2001
D. Total Market Size	790	950	1,045
E. Total Local Production	1,170	1,400	1,540
F. Total Exports	460	550	605
G. Total Imports	80	100	110
H. Total Imports from U.S.	40	50	55

The above statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 1.90 (June 2000)
Sources: SOBRATEMA - Brazilian Society for Maintenance Technology;
ABICMAQ/SINDIMAQ - Brazilian Association of Basic Industries.

Best prospects for U.S. exporters include air compressors, aerial platforms, asphalt plants, light towers, concrete equipment, as well as parts and accessories.

Rank: 17
Name of Sector: Food Processing and Packaging Machinery
Code: FPP

Comments: The Brazilian food industry is experiencing a wave of new investments, with companies working at full capacity, inaugurating new plants and resuming projects that had been postponed since the devaluation of the Real in 1999. Brazilian food companies are expecting an increase in consumer demand based on the stabilization of the economy.

The Brazilian food industry registered sales of approximately US$ 47 billion in 1999, 3.3% higher than the previous year. The positive results in the food industry were mainly caused by an increase of 15 to 20% in exports.

BNDES, the Brazilian Development Bank, provided approximately US$ 1.3 billion in financing to the food industry in 1999, 3% higher than in 1998. The segments that benefited the most were the meat, dairy and diet products industries. Meat industry (slaughter and processing) financing increased 5 times over 1998, representing 57% of the total BNDES financing to the food industry. Exports were the main cause of the increase in investments in the meat industry.

The Brazilian market for food processing and packaging machinery is showing positive results and is expected to increase substantially in 2000. This market sector sales were estimated at US$ 577 million in 1999. Imports represent 32% of this market, totaling an estimated US$ 189 million in 1999. Germany and Italy are traditional suppliers of food processing and packaging machinery to Brazil, with most imports from these two countries originating from local subsidiaries importing from headquarters. U.S. exports of food processing and packaging machinery to Brazil reached an estimated US$ 21 million in 1999, holding 11% of the total import market.

Best U.S. export prospects in this sector include machinery with higher efficiency level, automated devices and new technology. Products presenting good prospects for U.S. exporters are dairy equipment, baking machinery and meat processing machines.

(US$ Millions)	1999*	2000*	2001*
A. Total Market Size	577	605	635
B. Total Local Production	409	429	450
C. Total Exports	21	22	23
D. Total Imports	189	198	208
E. Imports from the U.S.	21	22	23

* The above statistics are unofficial estimates.
Source: Abimaq, BNDES, ABIA, Siscomex and Industry specialists.

A. Rank: 18
B. Name of Sector: Franchising
C. ITA Code: FRA

Comments: Franchising in Brazil grew by 6.6% in 1999, making Brazil the third largest worldwide franchise system, behind only the United States and Canada. Brazil hosts around 48.000 franchisees, divided into approximately 30 business segments. The franchising sector in Brazil generates over 350,000 jobs. In 1999, franchises generated approximately US$7.2 billion in sales.

Local Brazilian companies form the vast majority of franchises in Brazil, however, foreign groups, particularly from the U.S. are making their way into the market too. According to the "Guia do Franchising," an annual survey prepared by the Brazilian Franchising Association (ABF), the total number of franchises in Brazil is 863. Of this number, 7% (75 firms) are foreign. This group includes 48 American companies. Dominance of Brazilian franchises over their foreign counterparts can be partially explained by the fact that, until recently, foreign franchises established in Brazil were not allowed to remit royalties to their headquarters. However, with the enactment of the Franchising Law, foreign franchises are now allowed to remit royalties to their countries of origin.

In 1999, the most representative segments in Brazil were food (23%), apparel (13%) education and training (11%) and sports, health and beauty (10%). The State of Sao Paulo hosts 52% of the total number of franchises in the country followed by the States of Rio de Janeiro (16%); Paraná (8%), Minas Gerais (6%) and Rio Grande do Sul (5%).

Best prospects for expansion of franchise activity in Brazil include non-food sectors such as construction, furniture, cosmetics, car-related services, education, and hotels. While food franchises are still attractive, this segment has recently contracted after a period of high expansion in the mid-90s.

Overall, U.S. franchises enjoy an excellent reputation among Brazilian businesses. However, it is imperative that U.S. franchises find a suitable local partner to adapt and develop U.S. franchise concepts suitable for the Brazilian market. Finally, a franchise should register its trademark in the Brazilian market, even before selecting a candidate.

A. Rank: 19
B. Name of Sector: Sporting Goods and Recreational Equipment
C. ITA Code: SPT

The Brazilian market for sporting goods reached an estimated US$4.26 billion in 1999, up 4% from the US$4.1 billion market size in 1998. For 2000, market analysts have projected a growth rate of 5 percent and it is expected to grow 7-8% in the next two years due to the upcoming World Cup in 2002 and also because of the increasingly Brazilian health conscious.

U.S. sporting goods products enjoy a good level of acceptance because Brazilians tend to emulate the American lifestyle. U.S. products usually offer higher quality than local competitors. Imports constitute almost 30% of this market. Strong competition exists in many segments from lower priced Asian (Korean and Taiwanese) imports.

The import duty rate for sporting goods, e.g., fitness equipment, jet skis, and boats range from 20-25%. Before importing, hunting and fishing equipment one must obtain an import license from the Brazilian government.

Most of the Brazilian market today is supplied by small to medium sized domestic manufacturers. Today, imports represent approximately 30% of the market and U.S. imports account for approximately 17% of the total market for sporting goods. Imports from the U.S. as well as from Europe and Japan will grow as the demand for quality products accelerate. Moreover, imports from the Middle East may also grow due to their aggressive pricing.

Best U.S. export prospects in this sector include Bicycles, Boats and Sailing, Fitness Equipment, Hunting & Fishing, In-line Skates, Other Water Sports Equipment, Swimming Pool and Accessories, Safety Equipment, Active Wear, Team Sports Accessories and Golf Equipment.

A. Rank: 20
B. Name of Sector: Defense
C. ITA Code: DEF

The Defense sector in Brazil is the largest in Latin America due to the size of the country, both in geography and population. In Brazil the Army, Navy & Air Force used to be independent but a new Ministry of Defense is being established to, among other things, coordinate procurement operations. The Brazilian Congress provides an annual budget to each armed service for its own use. However, the Brazilian Military is consistently short of cash. Fiscal year 2000 military spending was budgeted at approximately US$11 billion. Due to continued federal budget tightening, defense budgets will most likely remain level at best for the next several years.

Brazil has a diversified industry, which produces a wide variety of defense equipment and supplies, ranging from small arms to aircraft. Since the zenith of Brazil's arms industry and arms exports in the mid-1980s, many Brazilian arms manufacturers have suffered through an extreme financial crisis due to lack of domestic orders and changing international arms procurement patterns.

Brazil's armed forces seek to update and modernize its military material. The Brazilian Air Force has 6 F-5 and 4 Mirage, 20 Tucano airplanes, 20 Xavantes, 6 Gastes Learjet, 6 Bandeirantes, 4 Bell Jet Ranger and 30 Esquilos. The average age of these aircraft is 27 years. The Army is the largest of the Armed services with 200,000 men, 520 M-41C tanks, 795 troop trucks and 46 helicopters. The Navy is equipped with 5 submarines, 10 frigates, 5 corvettes, 73 helicopters and 1 sea-plane carrier

Currently, the Air Force is planning to replace its 6 F-5 and 4 Mirages. Suppliers are encouraged to present their best offers. Concurrently, the Navy is upgrading its sonar equipment for its 10 frigates and the Army has several projects to procure missiles and radars.

The principal commercial opportunities for U.S. defense companies in this sector lie among the products and equipment the three services are planning to buy, as mentioned above. However, sector specialists emphasize the need for Brazil to modernize every aspect of its military material, down to the smallest purchases including gas masks, backpacks, boots, etc. U.S. companies interested in participating in any military government tender must have a local representative and meet with procurement officers personally during the bidding process

The government of Brazil has a central procurement office in the U.S located at 1701 22nd Street N.W. – Washington, D.C. 20008 Tel: (202) 332-5522/483-4031, Fax: (202) 483-4684.

Statistics for defense equipment imports and exports are not made available.

Rank: 21
Name of Sector: Internet Services and E-Commerce
ITA Code: CSV, TEL, INF

Brazil has the most advanced Internet and e-commerce industries in Latin America. It continues to grow at a fast pace. Some of the factors influencing such exponential growth are: (1) large user base, (2) state-of-the-art banking equipment, (3) large local retailers with strong brand recognition, and (4) a wide array of Portuguese language content providers.

Estimates indicate that of the US$ 336 million related to Latin American e-commerce transactions in 1999, Brazil alone accounted for approximately US$ 300 million (or 88% of all transactions). E-commerce transactions in Latin America are expected to reach US$ 3.0 billion by 2003. Thus, if Brazil maintains the current share of e-commerce transactions – i.e., 88% -- Brazilian on-line transactions may reach US$ 2.7 billion.

A few large Internet Service Providers (ISPs) dominate the Brazilian market. The market leader for paid Internet access is Universo Online (UOL) with more than 500,000 subscribers. Besides being the largest ISP, UOL is also the largest Brazilian portal and it has attracted many business partners with its e-commerce site "Shopping UOL." Other ISPs include Starmedia, ZAZ/ Terra (owned by Spain's Telefonica), AOL, O Site, Matrix, PSI Net, etc.

Recently, fierce competition amongst Internet Service Providers has caused access costs to fall dramatically. Moreover, free access to Internet services has caused a boom in the number of users and it has also triggered heavy investments in e-commerce.

The Brazilian free access Internet Service Provider "iG" - Internet Gratis (a Bank Opportunity's company) leads the market in the free access segment, followed by Netgratuita, Super11, and a number of other smaller regional providers (e.g., BR Free).

E-Commerce & E-Business: A large number of Brazilian and Multinational companies made significant investments to develop e-commerce and e-business. They hope to dramatically increase sales through on-line channels. Among the main "Business to Consumer" (B2C) players are diverse retail companies such as "Pão de Acúcar" (the second largest Brazilian supermarket chain in the country), "Lojas Americanas" (a major retail chain), "Livraria Saraiva" (a bookstore chain), "Webmotors" (used-car sales) and "Submarino" (one of Brazil's most-visited e-commerce sites which sells books and CDs).

As of May 1999, there were 59 local Brazilian sites dedicated to books, 43 to music, 11 to groceries, 16 electronics sites, 6 brokerages, 23 banks, 2 airlines, 43 selling computer software and hardware, and 104 others for a total of 307. Since then, countless new sites have launched their services, including auction sites and virtual automobile dealerships.

It is estimated that one fifth of Brazilian Internet users have made on-line purchases. While books, CDs, and software are still the most frequently purchased items, Brazilian consumers have begun to buy items such as computer software, computer peripherals and accessories, cosmetics, vitamins, car accessories, clothes, household items, toys, etc. The average Brazilian on-line consumer is well educated, highly sophisticated, used to shopping internationally and is just beginning to experiment with on-line shopping. The penetration rate is limited due to the relatively small portion of the population in the upper and middle classes.

Online sales:

	World	U.S.	Latin Am.	Brazil
1999	170 Bi	127 Bi	336 Mi	300 Mi
2000	3,2 Tri	1,4 Tri	3,0 Bi	2,7 Bi

In the "Business to Business" (B2B) segment, Dell Computers is a good example of a U.S. based computer hardware company which opened a plant in Brazil in 1999 (Rio Grande do Sul) and has been fully operating in the Brazilian e-business scenario. In the "Consumer to Consumer" segment (C2C), a number of local on-line auction sites have launched their services, e.g., Arremate, Mercado Livre, and Lokau.

Internet Banking: Thanks to Brazilian banks, the country is on the cutting edge in the development of secure e-commerce technology. Through an early focus on PC banking and Internet-based offerings, Brazil has developed one of the most advanced home-banking systems in the world, of which "Bradesco" (the largest private Brazilian retail bank) was the pioneer. In 1999, approximately 1.5 million Brazilian consumers have accessed their banks via direct dial-up or the Internet, performing various transactions such as obtaining checking balances, making transfers, and applying for loans on-line.

High Speed Internet Access: It is already a reality in certain regions of Brazil. Sao Paulo's telecommunications operator, Telefonica is currently offering high speed services through the Asymmetric Digital Subscriber Line (ADSL) and TVA cable television has recently launched their " @jato" high speed Internet access through cable modem technology.

Future Challenges: Economic and technological issues that have impeded the growth of the Internet and e-commerce in Brazil are gradually being resolved. PC ownership is increasing as prices decline with the introduction of cheaper models. However, local telephone charges remain high as calls are still billed on a per minute/per pulse basis. Additionally, despite improvements, the postal and delivery systems that service Brazil are still inadequate in light of the high volume of small packages that characterizes business to consumer e-commerce. As these issues are resolved, the potential for e-commerce transactions will grow as well.

E. Rank: 22
F. Name of Sector: Architectural/Construction/Engineering Services
G. ITA Code: ACE

Comments: The Brazilian construction industry in 1999 was estimated at US$ 50 billion, corresponding to approximately 9% of the GDP. According to local trade contacts the market is expected to grow about 3.5% in 2000. Long-term forecasts are conservatively optimistic in view of investments in the recently privatized transportation, telecommunications and energy sectors. There are no official statistics concerning the volume of architectural, construction and engineering services obtained from foreign countries. Trade sources believe that the volume of services offered by foreign firms is quite small, probably representing less than 1%.

Many Brazilian architectural, construction and engineering companies offer internationally recognized competitiveness and experience. Many of them obtained the ISO 9000 certification in the last few years and have strong presence in foreign countries. However, the majority of small to mid-sized firms are still open to new technologies to improve the efficiency and quality of construction work.

Under the Brazilian legislation, foreign architectural, engineering and construction firms must be either established in Brazil, or have a Brazilian partner. Several foreign firms have successfully entered in the market in recent years in partnership with solid Brazilian firms that know the culture and business practices in Brazil.

Best prospects for U.S. suppliers of architectural, construction and engineering services concentrate in the following segments:

Infrastructure: At the end of 1999, the Brazilian Association of Infrastructure and Basic Industries (ABDIB) had identified 1,223 infrastructure projects that called for investments of US$ 193.8 billion through 2004. According to ABDIB, US$ 41.2 billion represented projects already in execution and the remaining are in planning phases following complete feasibility studies. U.S. engineering consultants with expertise in infrastructure projects will find good opportunities in this segment. Projects are divided into the following sectors:

Sector	US$ billion	No. of Projects
- Electrical Energy	90.8	785
- Transportation/Ports	50.4	243
- Oil/Gas/Petrochemicals	38.1	149
- Sanitation/Environment	14.5	46
TOTAL	215.4	1,318

Residential Construction: The construction method in Brazil has a strong influence from Portugal and Spain, with predominant use of brick and concrete. It relies heavily on manual labor, which is quite inexpensive in Brazil. However, the percentage of material lost in a traditional construction is approximately 30%. Also, due to inefficient planning, the lost labor time in an average company can be as high as 50%. To reduce such losses leading constructors are looking for alternative products and technologies. U.S. firms that offer products and technologies to improve the construction quality and reduce material losses will find good opportunities in this market segment.

Hotel and resorts: According to the Brazilian Tourism Agency (Embratur), there are currently 330 hotels under construction in Brazil that call for investments of approximately US$ 3 billion. Major hotel chains such as Melia (Spain), Posadas (Mexico), Accor (Brazil), Choice (USA), among others are conducting aggressive expansion plans that include hotels and resorts. Many foreign architects are participating in these projects, in partnership with Brazilian architects and engineering firms.

Industrial Construction: This segment maintained good performance in 1999 and should continue to grow throughout the next couple of years. Leading sectors are the automotive, steel, and the pulp and paper, segments. For example, Nissan and Peugeot have announced the construction of new plants in the State of Parana. Also, the State of Bahia expects investments of approximately US$ 2.5 billion by Ford and another 17 auto-parts manufacturers. Since reduced construction time is essential in most cases, Brazilian constructors are seeking alternative construction methods to reduce construction times and material losses.

No trade data are available for these service sectors.

Sources: trade associations, publications and trade contacts.

Best Prospects for Agricultural and Food Products

Name of Sector: Wheat
HTS 1001

Comments: Brazil's domestic production of wheat is far below its domestic consumption needs and has a large annual import demand for wheat, of which a large amount is supplied by Argentina. During 1996-98, the United States was out of the Brazilian wheat market because of phytosanitary issues. Currently, however, U.S. Hard Red Winter (HRW) wheat is allowed into Brazil and the approval of two additional types of wheat are expected in the near future. Import demand for Local Marketing Year 99/00 is estimated at 7.2 million metric tons (mt), with Argentina supplying most of Brazil's needs.

(Thousand Metric Tons)	1998	1999	2000*
A. Total Consumption	8,590	9,300	9,700
B. Total Local Production	2,190	2,400	2,500
C. Total Exports	0.00	0.00	0.00
D. Total Imports	6,400	6,900	7,200
E. Total Imports from the U.S.	0,000	0.950	0.195

* Statistics are unofficial estimates.

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

Name of Sector: Apples and Pears
HTS 0808.10 and 0808.20.10

Comments: Brazil is becoming an important apple producer. Production is estimated at nearly 850,000 metric tons in 1999/00. Brazil has virtually no commercial production of pears. Argentina and chile are the major suppliers of apples and pears to Brazil and benefit from preferential tariff treatment. However, there is growing awareness of U.S. products and quality, and the United States production season is opposite Argentina's and Chile's allowing for a marketing window for both fruits, but particularly for pears. U.S. exports have major opportunities in this market basically for pears only.

(Thousand Metric Tons)	1998	1999	2000*
A. Total Consumption	984	925	860
B. Total Local Production	780	805	860
C. Total Exports	11	57	100
D. Total Imports	265	177	120
E. Total Imports from the U.S.	18	13	8

Statistics are unofficial estimates.
Source: Secretaria de Comércio Exterior (SECEX) - MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Whey and Lactose
HTS 0404, 1702

Comments: Although Brazil produces a small amount of whey derived from its cheese production, whey is considered a residue and is seldom used as a food ingredient. Most of the whey used by the dairy and beverage industry in Brazil is imported. The market is booming because of the increasing use of whey in dairy-based drinks (yogurt), as well as for animal feed purposes. This offers a great opportunity for U.S. exporters because local production does not meet demand. The EU is the major competitor for this product.

(Thousdand Metric Tonsd)	1998	1999	2000*
A. Total Cconsumption	25	28	32
B. Total Local Production	15	16	18
C. Total Exports	0	0	0
D. Total Imports	10	12	14
E. Total Imports from the U.S.	3	2	3

* Statistics are unofficial estimates.

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

Vegetable Seeds
HTS 1209

Comments: The best prospects for U.S. seeds continue to be in the vegetable seed sector, where, despite the economic slowdown in the Brazilian economy in 1998 and 1999, there is expected to be a continued need for high quality seeds, for which Brazil, as yet, does not have the technical production capacity. Other major sources of imported vegetable seeds are the EU, Israel, and Japan.

(Thousdand Metric Tons)	1998	1999	2000*
A. Total Consumption	35	38	41
B. Total Local Production	14	15	16
C. Total Exports	1	1	1
D. Total Imports	20	22	24
E. Total Imports from the U.S.	7	6	7

* Statistics are unofficial estimates.

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

Name of Sector: Cotton
HTS 5201

Brazil's production of cotton continues below its domestic consumption needs despite recent increases in local production. The United States has a niche market in Brazil for cotton due mostly for its quality combined with GSM 103 availability.

(Thousdand Metric Tons)	1998	1999	2000*
A. Total Consumption	785	815	890
B. Total Local Production	394	504	606
C. Total Exports	3	3	4
D. Total Imports	388	308	280
E. Total Imports from the U.S.	38	N/A	N/A

* Statistics are unofficial estimates.

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

VI. Trade Regulations and Standards

Trade Barriers, including tariffs, non-tariff barriers.

Since 1990, Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc.), even though tariff rates in many areas are still high. Significant non-border trade barriers remain.

In January 1997, the Secretariat of Foreign Trade (SECEX) implemented a computerized trade documentation system (SISCOMEX) to handle import licensing, and a wide variety of products were subject to non-automatic licensing. There are fees assessed per import statement submitted through SISCOMEX, and importers must comply with onerous registration guidelines, including a minimum capital requirement, to register with SECEX (the Foreign Trade Secretariat). Complete information on requirements for importing into Brazil is available only through SISCOMEX, which is only available to registered importers. Beginning in October 1998, Brazil issued a series of administrative measures that required additional sanitary/phytosanitary (SPS), quality and safety approvals from various government entities for products subject to non-automatic licenses.

In 1998, in order to fight increasing under-invoicing, Brazil issued a series of measures that required additional approvals for products subject to non-automatic licensing, and broadened the list of such products. While the Government is now in the process of phasing these out and moving most products to the automatic license category, these requirements still present a barrier. Under Brazil's new Customs Valuation regulations, Customs will focus its efforts on under-invoicing, and are authorized to hold up imports until the goods are valued.

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

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

Tariffs, in general, are the primary instrument in Brazil for regulating imports. For 1997, the average tariff under Mercosul's Common External Tariff (CET) was 17 percent. The average tariff in 1990, by contrast, was 32 percent. Brazil currently maintains no applied tariff rate higher than 32 percent (with some exceptions).   Brazil continues to promote significant tariff reductions for many capital goods, which constitute approximately 40 percent of U.S. exports to Brazil. The United States continues to encourage tariff reductions on products of interest to U.S. firms.

Brazil and its Southern Common Market (MERCOSUL) partners, Argentina, Paraguay and Uruguay, implemented the MERCOSUL CET on January 1, 1995. In November 1997, after consulting with its MERCOSUL partners, Brazil implemented an across-the-board three-percent increase on all tariffs (inside and outside the CET), raising the ceiling from 20 to 23 percent. Only energy inputs such as coal and petroleum and agricultural inputs such as seeds were exempted.

The CET currently covers approximately 85 percent of 9,500 tariff items; most of the remaining 15 percent will be covered by 2001, and all will be covered by 2006. The CET levels range between zero and 23 percent, with the exception of tariffs on telecommunications equipment, computers, some capital goods, and products included on Brazil's national list of exceptions to the CET, such as shoes, automobiles and consumer electronics. These tariffs are generally higher. For products covered by the CET, the maximum Brazilian tariff is now 23 percent. With the exception of sugar and automobiles and parts, trade between Brazil and Argentina is duty free.

The United States signed a trade and investment framework agreement with this emerging common market in 1991. The United States will continue to encourage the reduction of barriers to trade and investment, including tariffs and the creation of a customs union that is open and consistent with the WTO, specifically GATT Article XXIV.

Customs Regulations

In 1997 the Brazilian Government established a computerized information system to monitor imports and to facilitate customs clearance known as the Foreign Trade Integrated System (SISCOMEX). The SISCOMEX has facilitated and reduced the amount of paperwork previously required for importing into Brazil, which, however, can still be burdensome. Brazilian importers must be registered in the Foreign Trade Secretariat - SECEX's Export and Import Registry and receive a password given by Customs to operate the SISCOMEX. The SISCOMEX has a graphic interface for the composition of electronic import documents and transmits information to a central computer.

Customs Clearance in Brazil can be a time consuming and frustrating process, similar to other countries in the region. In a report issued by the ICEX (Instituto de Estudos das Operações de Comércio Exterior) last year the average customs clearance time in Brazil was the slowest in the Hemisphere (150 hours). Products can get "caught up" in customs because of minor errors of emissions in paperwork. In FTAA negotiations, Brazil and the U.S. are working on measures to allow more rapid customs clearance. The Brazilians recognize that many of its ports, loading and unloading as well as customs clearance need increased efficiency. To this end, they are also working on a "green line" expedited method of clearance. However, you should be prepared for the fact that unloading and clearance may take substantially longer than expected.

Tariff Rates

Import tariffs currently range from 5 to 32%, Brazil's average tariff is around 14%. A number of capital goods that are not locally produced enjoy a 5% import tariff, whereas the import tariff on machines is 18%. Exemptions or reductions of import taxes are established by law or by international treaties. Brazil does provide exemptions for several categories of imports and generally for products that will be used in the export sector, especially when there are no domestic producers. However, it can be difficult to apply to obtain these exemptions (see below). The United States continues to encourage tariff reductions on products of interest to U.S. firms. (See section VI, on Tariff in Trade Barriers)

Import Taxes Including Value Added Taxes

The import tax base includes the following elements:

- transportation cost of the imported product to the port of arrival;
- fees associated with loading, unloading and handling the imported cargo to the port of arrival;
- insurance costs associated with freight.

Brazil also assesses the following taxes and fees on imports:

Warehouse Tax: 0.65% of CIF in private terminals for a 15 day period

Terminal Handling Charges Avg.: US$ 100 per container (in Santos Port, Sao Paulo)

The Merchant Marine Renewal Tax (MMR): assessed at 25 percent of ocean freight charges on imports by sea, payable by the importer.

Compulsory Contribution to Custom Broker's union: 2.2% of the CIF value or minimum of US$ 71 and maximum of US$ 160

SISCOMEX tax: US$ 30.00 (fee for using the SISCOMEX system)

Cargo transportation company fee: US$ 35.00

Hypothetical Cost Buildup for an Imported Machine, shipped in a 20 feet container, shipped from Miami to the port of Santos
Cost Buildup in US$

FOB Price of Product	100,000
*Freight	2,400
Insurance (0.5 to 2%)	1,000
CIF Price of Product	103,400
Landing Charges:	

Import Duty (19% of c.i.f.)	19,646
IPI (Manufactured Products Tax -- 5% on c.i.f. plus import duty)	6,152
ICMS (Value-added Tax 18%, 12% or 11% on c.i.f. plus duty plus IPI)	23,256
Port Costs:	
AFRMM (Merchant Marine Tax 25% of Ocean Freight)	600
** Warehouse (0.65% of CIF or minimum of US$ 170 maximum of US$ 235)	235
Terminal Handling Charges (Average $ 100 per container)	100
Compulsory contribution to the Custom Broker's Union (2.2% CIF or minimum of US$ 71 maximum of US$ 160)	160
Custom Brokerage Fee (avg.) (0.65% CIF or minimum of US$ 170 maximum of US$ 450)	450
SISCOMEX fee	30
Cargo Transportation company fee	35
Bank Costs (1 to 3% of FOB)	2,000
FINAL COST	US$156,064

* Freight provided by Hamburg Sud Brasil Ltda. on July 6, 1999 for transporting a 20 feet container from Miami to Sao Paulo.

** Private terminals at the port of Santos for 15 days.
*** IPI and ICMS are not to be calculated as additional import costs because they are also added into the final costs for all locally manufactured products.

Internal Taxes

Internal Brazilian taxes applying to U.S. exporters are the Industrial Products Tax, Imposto Sobre Produtos Industrializados (IPI) and the Merchandise Circulation Tax, Imposto Sobre Circulação de Mercadorias e Serviços (ICMS) (this does not include normal taxes applied to businesses in Brazil).

The Industrial Products Tax (IPI) is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The IPI tax is not considered a cost for the importer, since the value is credited to the importer. Specifically, when the product is sold to the end user, the importer debits the IPI cost.

The Government of Brazil levies the IPI rate by determining how essential the product may be for the Brazilian end-user. The tax rate ranges from 0 to 15 percent e.g. the IPI rate on cigarettes and alcoholic beverages is 365%. The tax is charged on the product's c.i.f. value plus import duty. In general, a relatively low tariff rate carries a lower IPI and a relatively high tariff rate carries a correspondingly higher IPI rate. As with value-added taxes in Europe, IPI taxes on products that pass through several stages of processing can be adjusted to compensate for IPI taxes paid at each stage. Exports from Brazil are exempt from the IPI tax. The regulations dealing with the IPI tax are detailed in Decree No. 87.981, of December 23, 1982.

The Merchandise Circulation Tax (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 c.i.f. value, plus import duty, plus IPI. Although importers have to pay the ICMS to clear the imported product through Customs, it is not necessarily a cost item for the importer, because the paid value represents a credit to the importer. When the product is sold to the end-user, the importer debits the ICMS, which is included in the final price of the product and is paid by the end-user.

Effectively, the tax is paid only on the value-added, since the cost of the tax is generally passed on to the buyer in the price charged for the merchandise. The ICMS tax due to the state government by companies is based on taxes collected on sales by the 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, with the predominant rate currently 18% in Sao Paulo and 12% in most other states. On interstate movements, the tax will be assessed at the rate applicable in the state of destination.

Some sectors of the economy, such as construction services, mining, electrical energy, liquid and gaseous fuels are exempt from the ICMS tax. Most Brazilian exports are exempt.

The US/Brazil Council of the U.S. Chamber of Commerce has produced a report on tax issues in Brazil and made seven recommendations to the Brazilian Congress for reform. Businesses consistently report that the number and rate of taxes are high compared to other countries and that there is a high degree of repetitive taxing. See additional information below “Major Tax issues affecting U.S. business”

Import License Requirements

Automatic License

As a general rule, Brazilian imports are subject to the automatic import license, which is granted when the product enters Brazil.
All commercial, financial and fiscal information regarding each individual importation as well as information required for the preparation of the Import Declaration (DI) is fed into the SISCOMEX. The Brazilian Foreign Trade Secretariat (SECEX) is the government agency responsible for granting import licenses. Some products and import operations are subject to special requirements, which should be completed prior to customs clearance. These requirements include:

- sanitary or animal health requirements established by the Agricultural Ministry for imports of meat and food products, fish, crustaceans, mollusks, and other sea products, milk, milk derivatives, eggs and honey, other animal origin products, fruits, beverages and several other animal or vegetal products;

- environmental requirements established by the Brazilian Environmental Protection Agency – IBAMA – for natural, synthetic or artificial rubber;

- company and/or product registration numbers for asbestos, agricultural chemicals, pharmaceutical products, perfumes and cosmetics and medical related products.

Non-Automatic License (LI)

Whenever imports are subject to the Non-Automatic License (LI), the importer must provide the commercial, financial and fiscal information either prior to shipment or prior to customs clearance as follows:

Prior to Customs Clearance

Products imported under the drawback regime, (BEFIEX program, benefits including import tariff reductions and attractive financing to Brazilian exporting companies). Imports from the National Council for Scientific and Technological Development, and imports from free trade zones in Brazil, are required to obtain the import license prior to customs clearance.

Prior to Shipment

Products or import operations that are subject to special controls from SECEX or from approvals of other government agencies need to obtain the import license prior to shipment. This includes the following operations and products:

- products subject to import quotas (tariff and non-tariff);
- subject to similarity audit;
- used products;
- products that enjoy import tariff reductions;

- imports that do not involve payment from importer to the exporter (samples, donations, replacement of goods, leasing, rental, foreign investments, temporary admission)
- imports from Iraq;
- products that affect human nervous functions;
- narcotics, psychotherapeutic drugs, etc.;
- products for human or veterinary research;
- weapons and related products;
- radioactive products and rare earth metal compounds;
- crude oil, oil derivatives or other petroleum derivatives;
- anti-hemophilic serum, medications with plasma and human blood;
- products that may be harmful to the environment, as CFC;
- skins and leathers as well as finished products;
- mailing machines, stamp selling machines, as well as parts and pieces;
- airplanes, spatial devices as well as parts and pieces;
- products subject to specific price controls or payment term controls.

When inserting the import documents in the SISCOMEX, the importer will be advised if the non-automatic import license is required. DECEX is the responsible for providing the import license which is normally granted in two days from the request date. The communication between the importer, DECEX and/or government agencies that need to grant an import approval is done through the SISCOMEX.

Temporary Goods Entry Requirements

On December 31, 1998, Brazilian Customs issued regulation 164 (Instrução Normativa 164) establishing new procedures for imports under the Temporary Admission Program. The program allows for imports of goods for a pre-determined time frame and a clear objective. Under the program, import tax and the Federal tax (IPI) are only charged on products that will be used in the production of other products and involves payment of rental or lease from the local importer to the international exporter. This includes products such as dies, matrixes, sheets and industrial tools. Due taxes are proportional to the time frame the imported product will remain in Brazil.

The import tax applicable on products imported under the temporary admission program is calculated according to the following formula:

Tax = (Federal Taxes in the normal import process TIMES Number of months in which the product will remain in Brazil) DIVIDED BY (12 TIMES the life span of the product – according to Normative Instruction # 162, dated December 31, 1998).

An example is a leasing operation for 12 months of a US$ 200,000 machine into Brazil, with 10% import tariff and 5% tax over industrial product (IPI). The life span of this hypothetical machine is 5 years. In a regular import operation the due taxes would be as follows:

CIF Price: 200,000

Import Tax: 20,000

IPI: 11,000 (5% over CIF Price + Import Tax)

Payable taxes: US$ 31,000.

Under the temporary admission program payable taxes would be as follows:

(31,000 * 12) / (12*5) = US$ 6,200 (this includes the import tax and the tax over industrial product).

Special Import/Export Requirements and Certifications
(Health, Pharmaceuticals, Pre-shipment Inspection).

Regulatory and approval processes to enter the Brazilian Market

Imported products controlled by the Ministry of Health, including pharmaceuticals, vitamins, cosmetics and medical products, can only be sold if:

A) The foreign company establishes a local Brazilian manufacturing unit or local office, fully responsible for its products; or

B) The foreign company appoints a Brazilian distributor, who has the registration with the SVS as an importer and distributor of the types of products being offered. Basically, any product that comes in contact with the human body and could present any health risk falls under these requirements.

Note: Any and all products related to health, applied to the skin, injected into the body or even inserted into the eye (contact lens and cleaning liquids, for example), and any other having a medical application have to be registered with the MOH.

Documents Required of Local Distributors for Product Registration, Importation and Sales in Brazil

a) "Alvará de Funcionamento" - A trading permit granted by the state sanitary authorities. This allows the company to import, distribute, store and sell the product registered with the SVS.

b) "Autorização de Funcionamento" - A permit like the "Alvará de Funcionamento", but granted by the Federal Government.

c) Contract with a qualified technician (such as a chemist, pharmacist, engineer, etc, according to different types of industry). This is called "Terms of Technical Responsibility", signed by the professional. This document can be obtained from the Regional Pharmaceutical Council.

d) Contract with a local Brazilian laboratory to do the quality control certificate for each one of the products to be registered. This laboratory must be an "OCC-Organismo de Controle e Certificação", (Control and Certification Laboratory) an official registered certification organization, registered with the Brazilian Ministry of Health. The company has 12 months to provide this information. The company can use any laboratory authorized by the Ministry of Health.

Product Registration

Product registration in Brazil is a laborious exercise, and has to be requested by the local office of the foreign company, or its agent. The registration is valid for five years and can be renewed continuously for the same period. Exceptions are: diet products that are valid only for two years and can also be renewed for an additional 2-year period. The registration process must be completed within 90 days after the registration is requested. The foreign company should take a series of measures in order to guarantee its rights to the registration, including:

* Apply for registration of the trademark and patent with the INPI - National Industrial Property Institute, through a local law firm.

* Establish a solid contract with the distributor to protect the manufacturer's rights, including the ownership of its registration with the Ministry of Health. This should be done through a local agent.

* It is also recommended that the foreign company establish specific clauses on the contract, transferring the ownership of the registration from the agent to the manufacturer, thus minimizing risks. This transference can only occur if the foreign company opens an office or plant in Brazil, since no registration can be transferred overseas. Transfer to another agent is extremely difficult to obtain.

* Manufacturers have to disclose to the local authorities, through their agents, the quantitative and qualitative formula of their products, which should be patented in Brazil, before the product is introduced into the market, and at the time of registration. This has to be described on the registration document.

Types of Product Registration

For registration purposes, SVS classifies the products in the following categories:
1. Drugs**:** substances for medical or sanitary use (like sanitizing agents).
2. Medicine: curative, preventive or diagnostic pharmaceutical products.
3. Pharmaceutical Raw Materials: drugs or raw materials to be used in medicines
4. Food: Prepared food products
5. Related Products (Correlates): other than the above definitions. The following products and substances used to protect health, for personal hygiene and cleanliness: medical products, cosmetics, perfumes, dietary, dental and veterinary products, insecticides and poisons.

According to Brazilian Law 6360 of 1976 and its addition number 74.094 of 1977 and Administrative Act number 71/96, and other regulations from the Ministry of Health, products that have to be registered, in addition to medical and pharmaceutical items, are:

- Cosmetics
- Child products (lotions, etc)
- Perfumes
- Hygiene products

Cosmetic products are classified according to the health risk they may present.

Grade 1 products are products with minimal risk, such as: soaps; shampoos; tooth pastes and deodorants; shaving creams; after shaving lotions; tooth brushes; dental floss; powders; beauty creams; facial masks; beauty lotions; oils; make-up; lipstick; lip pencils and liners; eye products; and perfumes.

Grade 2 products are products that present potential risk, such as: hair colors; hair lighteners; hair perming and straighteners; products for hair and scalp treatment (anti-dandruff shampoos); chemical depilatories; insect repellents; and products for children.

Although the same documentation is required for grade 1 and 2 products, the registration of grade 1 products is much faster and simpler than the registration of grade 2 products.

Documentation Needed for Registration

The essential basic documents required from the local agent of the foreign company for the registration of products in Brazil are:

a) Application form obtained from the Brazilian Ministry of Health;
b) Original copy of the machine stamped bank slip, which serves as proof of registration fee payment;
c) Trade Permit ("Alvará de Funcionamento") issued by the State authority to the manufacturer's distributor;
d) Same type of document ("Autorização de Funcionamento"), issued by the Federal authority to the manufacturer's distributor;
e) Document showing the technical responsibility of the distributor/ manufacturer, issued by the certification entity;
f) Technical Report on the product, informing the components of the formula, instructions, directions, cautions, etc;
g) Label sample, brochures, pertinent information about the products, all translated into Portuguese;
h) For products not clearly mentioned on the Brazilian law, it is mandatory to provide information about their utilization, in order to demonstrate its efficacy and safety;
I) Copy of the registration granted to the products at the country of origin (or copy of the Free Sale Certificate);

j) Copy of legal document, by which the manufacturer authorizes its distributor to trade and distribute the products.

k) If a medical equipment, all documents showing product safety, country of origin, detailed (exploded view) of the equipment inner parts and user manual, have to be presented for registration.

Note: Among the above requirements, special attention should be paid to the TECHNICAL REPORT. This is mentioned on Administrative Act 71/96, and which requires from the cosmetics, vitamin, pharmaceutical manufacturer:

1. The complete description of the product's formula, with all the components specified by their chemical designation, and the quantities of each one of them expressed in the metric system;
2. Inform the function of each component, and its function as integral part of the formula;

3. Name the components according to the Pharmacopoeia Standards, Brazilian and International Compendia or attached bibliography, discussing the component and pertinent literature, including safety rules and efficacy. This information must be translated into Portuguese.

Product registration often takes more than one year. However should the process take longer than three months, importers and producers are allowed to use the protocol number provided by the Sanitary Inspection Secretariat to distribute their products in Brazil. However, by doing so they assume the risk of product liability claims if their products are found to be unsafe by the Secretariat.

According to Brazilian importers, the price for registering a cosmetic product or perfume in Brazil is about US$ 600, of which US$ 220 is the cost of the "despachante" (a local agent who is paid to handle the paperwork, submit documents etc.). Medical products vary, depending on specific types of equipment. It is advisable that the local U.S. exporter's representatives do use established product registration agents, particularly if the representative is new to the market or does not have adequate knowledge of this process (which can be complicated). U.S. exporters can attain additional information and local contact agents through ABPVS – Brazilian Sanitary Inspection Professionals Association.

New Brazilian Health Administration Agency

On December 31, 1998 the Brazilian President signed a Provisional Measure # 1791, created the new "ANVS - Agência Nacional de Vigilância Sanitária" (National Health Administration Agency) and established a new user fees structure for companies and products registration, as set out in the ***revised*** matrix below. The user fees and new certification rules affect medical devices and equipment, pharmaceuticals, vitamins and food products, cosmetics, tobacco and certain sanitation products, which must be registered with ANVS prior to sale in Brazil. The local representative of the US company should be responsible for the registration of the products.

President Cardoso signed the Presidential Decree #3029 of April 16, 1999, effectively creating the ANVS and regulating a series of other Provisional Measures and Regulations incorporating the recent negotiations with the Brazilian Congress and the local market. The same Decree, published on the Brazilian Official Gazette on April 27, 1999 sets out the Internal Regulation of ANVS, according to which the Director President of the Agency is nominated by the President for a five year period of work.

ANVS is fashioned after the FDA - Food and Drug Administration to substitute SVS - National Secretary of Sanitary Vigilance, instituted by Law # 6360 of 1976. In this new capacity, the new agency has enforcement powers similar to FDA, including cancellation of operation permits for drugs, food and medical product manufacturers and distributors. The Brazilian agency, however, was created as a public company, under a contract to the Health Ministry, therefore is still subject to political guidance from the Health Ministry.

According to an initial analysis conducted by ABPVS – Brazilian Regulatory Affairs Professionals Association, the following are the most important changes resulting from the establishment of ANVS:

a) Establishes a formal separation between ANVS which will be responsible for all sanitary and health inspection and the Ministry of Health, which will now be responsible only for public policies related to health issues;

b) Grants ANVS the power to temporarily intervene in the administration of public companies supplying products or services in the health sector, and considered exclusive or strategic responsibility of the Brazilian government;

c) Cancels Article 58, of Decree-Law 986/69, which exempted imported foods (sold in its original packaging) from registration with the Ministry of Health. In other words, imported food will now be subject to Ministry of Health registration, as has always been the case with local manufacturers. At the government request, the Brazilian Food Industry Association will be suggesting a list of food additives for colors and preserving food additives which may be exempted from registration;

d) Modifies Article 21 of Law 6.360/76, to state that imported drugs, similar to those manufactured in Brazil, will be automatically registered with the ANVS after 180 days from the date of filing the registration requirement, if ANVS fails to accept or reject the product registration within this period of time;

e) Modifies article 20, of Law 6.360/76 to state that no product without clinically or therapeutically proven beneficial substance in its formula, can be registered with the ANVS;

f) Establishes ANVS approval for production and registration of tobacco products, hitherto not registered with the Ministry of Health. The cost of registration of a new brand of tobacco, for example will cost US$ 100,000.00 per year;

g) Establishes a new list of registration fees, as outlined below, reviewed by the government in consultation with the industry and effective as of May 10, 1999.

The new legislation defines the following products for which control and registration is mandatory in Brazil:

1. Medications for human use, its active ingredients, and other related materials, processes and technology;

2. Food, including beverages, bottled water, its components, packaging, food additives, organic contamination limits, pesticides and veterinary drugs residues;

3. Cosmetics, personal hygiene products and perfumes;

4. Cleaners, sanitation products for decontamination and hygiene of hospitals, clinics, public transportation and homes;

5. Diagnostic kits, reagents and items for the same purpose;

6. Equipment and materials, devices for hospital, medical, dental, blood banks, laboratory use and image diagnostics;

7. Immunobiological products and their active ingredients, blood and its derivatives;

8. Organs, human and veterinary tissues for transplants or reconstitution;

9. Radioisotopes for in vitro diagnostics, radio-pharmaceuticals and radioactive products used in diagnostics and therapy;

10. Cigarette, cigars and any tobacco product in any form;

11. Any and all products posing any health risks, obtained by genetic engineering, processed or submitted to radiation sources.

ANVS also enforces its regulations on installations, equipment, technologies, environment and procedures involved in all manufacturing phases of the above items production, their disposal and respective residues.

In addition to setting new user fees, ANVS has (in conjunction with the Brazilian Metrology and Norms Institute - INMETRO), decided that *electromedical products* will have to undergo re-certification in Brazil, prior to sale in certain cases. Please, read a separate IMI: "Medical Equipment Re-certification in Brazil".

The following is the new user fees matrix effective May 10, 1999.

CURRENT USER FEE MATRIX FOR REGISTRATION WITH ANVS

ITEM	FEE IN R$ (*REAL)**	VALIDITY
1. Operational Authorization for each type of company		
1.1. Drugs manufacturers	20,000.00	Yearly
1.2. Medical products and equipment	10,000.00	Yearly
1.3. Distributors of drugs	15,000.00	Yearly
1.4. Drugstores, pharmacies, and retail shops of medical/hosp products	5,000.00	Yearly
1.5. Any other	6,000.00	Yearly
2. Alteration or increment to the current Authorization (type of activity, company data, joint venture or incorporation)	4,000.00	N/A
3. Substitution of company's legal representative, technical responsible persons or cancellation of authorizations	Exempt	N/A
4. Good Manufacturing Practices and control for each company's office or manufacturing unit, type of activity and production/supply line		
4.1. In Brazil and in the Mercosul		
4.1.1. Drugs and pharmaceutical products	15,000.00	Yearly
4.1.2. Medical equipment and products	10,000.00	Yearly
4.1.3. Any other related products	3,000.00	Yearly
4.2. Other countries outside of Mercosul	37,000.00	Yearly
5. Registration of		
5.1. Cosmetics	2,500.00	5 Years
5.2.1. Sanitation products - Grade 1 (Minimal) Health Risk	3,000.00	5 Years
5.2.2. Sanitation products – Grade 2 (Potential) Health Risk	8,000.00	5 Years
5.3. Medical Devices		
5.3.1. Equipment (nuclear medicine, computer tomographers, magnetic resonance and cineangiocoronary devices)	20,000.00	5 Years
5.3.2. Other equipment, instruments and diagnostic kits	8,000.00	5 Years

5.4. Pharmaceuticals		
5.4.1. New drugs (*new formulations*)	80,000.00	5 Years
5.4.2. Similar, or existing formulations	21,000.00	5 Years
5.4.3. Generics	6,000.00	5 Years
5.5. Food and Beverage	6,000.00	5 Years
5.6. Tobacco and similar products	100,000.00	Yearly
6. Increment or modification on the company's registration		
6.1. Packaging details	1,800.00	N/A
6.2. Formula concentration and dosage	1,800.00	N/A
6.3. Prescription text, labeling and packaging	1,800.00	N/A
6.4. Validity or cancellation	Exempt	N/A
6.5. Any other	1,800.00	N/A
7. Exemption of registration	1,800.00	N/A

The above products will have the following discounts for local based companies in the following cases:

a) 15% in case of large Brazilian companies (revenues above R$ 50 million);
b) 30% in case of medium size Brazilian companies, (revenues up to R$ 15 million, as defined by Law 9531 of December 10, 1997);
c) 60% in case of small size Brazilian companies (revenues up to R$ 720,000.00, as defined by Law 9317 of December 5, 1996);
d) 90% in case of "micro-size" (usually very small, sole ownership) companies, (revenues up to R$ 120,000.00, as defined by Law 9317 of December 5, 1996)

* Note: US$/Real exchange rate on the revision date (May 14, 1999), is: US$ 1.00 = R$ 1.70.

As indicated by this matrix, user fees for medical, pharmaceutical and cosmetics products registration represent a significant increase over 1998 levels. For example, registration of a new drug will cost US$ 47,058.00 for each product, and must be renewed every 5 years, a huge increase compared to the old fee of US$ 1,000.00. Registration of products with similar items already in the Brazilian market will be US$ 12,352.94 and generic products, US$ 3,529.41, a clear indication that the government is stimulating the development of the generic drugs market in Brazil. The operational fee for a new pharmaceutical industry will jump from the current US$ 137.50 to US$ 11,764.70, with compulsory annual renewal. Brazilian industry has reacted harshly to the implementation the new user fees. However, most agree that the new agency is a considerable improvement in regulatory affairs and that ANVS should have its own revenue base.

Labeling, Marking Requirements

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

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

Registration of U.S. Companies to Export to Brazil

Brazilian regulations also require that all U.S. companies exporting animal origin products (beef, pork, dairy, seafood, poultry, and eggs) must be registered with the Ministry of Agriculture and Food Supply (MAA) before entering the country. MAA also must previously approve all labels of processed products of animal origin, such as cheese, frozen dinners, etc.

Prohibited Imports

The Brazilian Government has eliminated most import prohibitions. However, it places special controls on certain imports and prohibits the importation of others, e.g. pleasure boats valued above US$ 3,500. The importation of used machinery, automobiles, clothing, and many consumer goods continues to be severely restricted. Imports of some used machinery, however, have been authorized under special exemptions. Court decisions have challenged the regulation that bans used car imports. Imports of used machinery and equipment to the Manaus Free Trade Zone are subject to more liberal treatment.

Warranty and non-warranty repairs:

Products that can be imported into Brazil under the temporary admission program without payment of import and federal taxes are those related to:

1) scientific or technical events (shows, exhibitions and congresses);
2) projects and researches approved by the National Council of Scientific and Technological Development (CNPq);
3) artistic and cultural shows and events;
4) sports competitions;
5) commercial or industrial trade shows and exhibitions;
6) commercial promotion, including samples from company representatives;
7) products used by foreign technicians to repair imported products under guarantees;
8) to replace other products imported under temporary admission status;
9) to temporarily replace imported products under guarantees;
10) to process, assemble, renew or refurbish a product imported under temporary admission (Customs requires the existence of a technical service contract);
11) for packaging or handling other imported products, whenever these products may be re-utilized;

12) to identify, package or handle other products that will be exported;
13) to reproduce phonograms and audiovisual pieces, imported as matrixes;
14) of temporary activities that are of interest to the agricultural sector including animals for trade fairs and exhibitions, reproduction, veterinary treatment, etc.
15) help or save people in cases of calamity or accidents which may affect people or the environment;
16) temporary professional activity of a non-resident in Brazil;
17) of use of immigrants. (while immigrants wait for the resident visa);
18) of use of non resident travelers (personal luggage).

Other products that may be imported duty-free under the temporary admission program include:

I – vehicles of a non-resident traveler
II – products for functioning or resistance tests, repairs or refurbishing (these are not defined as economic products because they will not be used in a commercial way and therefore will not result in profits by the end-user. Such products may stay in Brazil for three months).

Products that fall automatically under the duty-free temporary admission program:

I- vehicles used exclusively for international cargo transportation entering Brazil;
II- vehicles of non-resident foreign travelers, in areas where Brazil has borders with other countries;
III- vessels, airplanes and other products in scientific research or investigation at the continental platform or Brazilian waters, authorized by the Brazilian Navy;
IV- fishing vessels authorized to operate in Brazilian waters by the Agricultural Ministry.

Guarantees

Products imported into Brazil under the temporary admission program, subject to payment of proportional import duties must provide for a guarantee. Importers of the products listed as not subject to payment of import tariff are required to complete a "commitment document" form (Termo de Responsabilidade), issued by the Brazilian Customs (Annex I), of Customs Regulation 164 in which the importer is subject to penalties in case of non-adherence to the program. The guarantee may be a cash deposit, escrow of federal bond, an insurance policy or a guarantor. In order to protect itself against the non-adherence to the temporary admission program, Brazilian Customs requires a guarantee in the amount of the import taxes that would be applicable in a normal import transaction minus the amount collected with the proportional tax.

Imports from Federal, State or Municipality Government entities, foundations, diplomatic and consular missions or international representation entities of which Brazil is a member are waived of guarantees. Guarantee is also not required if the actual paid tax minus the tax applicable in a normal import transaction is less than R$ 20,000 (US$ 1.00 = R$ 1.75 on July 6, 1999).

Export Controls

At this time, the U.S. Government maintains no export controls specific to Brazil. Normal controls are maintained on military equipment and high-tech information systems and equipment of a highly sensitive nature. Companies more information on this subject can check with the Trade Information Center: 1-800-USA-TRADE, or the Department of Commerce website: www.doc.gov

Standards and Conformity Assessment

Technical Regulations. In regulated sectors, the appropriate agencies impose their own requirements, ranging from registration of products and laboratories to mandatory certification with the 3rd party testing done in-country.

Brazil has in place a number of regulations that are being reinforced. Most newly published rules mandate compliance to safety requirements with evidence of compliance often, but not exclusively, through mandatory product certification. With renovated regulations, it is expected that enforcement will increase.

During the past year, new regulations were issued for electro-medical equipment. Comprehensive draft regulations for testing and certification of telecommunication products were issued for public comment and it is expected that final rules will be published before September 2000. Safety requirements are also being imposed on a full range of electrical products. Often - but not always – the applicable standards are international.

Legal framework**.** Federal law established in 1973 the National System of Metrology, Standardization and Industrial Quality, SINMETRO, with involvement from public and private organizations. ABNT, the Brazilian Association for Technical Standards (Associaçao Brasilera de Normas Técnicas), is the recognized standards organization. INMETRO, a government entity, is the national accreditation body, is responsible for all aspects of metrology and is the operating arm of CONMETRO, the national committee that oversees the work of SINMETRO.

Voluntary Standards**.** National voluntary standards in all sectors are developed by ABNT. In some areas, ABNT bases its standards on those of ISO and IEC and on occasion on U.S. standards. ABNT is also a certification organization for both products and systems.

In Brazil, many standards are voluntary. The buyer and seller share responsibility in determining what product standard is applicable. Products conforming to US standards may be fully acceptable. However, products that meet European requirements may be preferred. This preference may be expressed in procurement specifications or in customary design and construction practices.

Given the growing importance of standards and conformity assessment in expanding U.S. exports, a standards expert has been assigned to work in the Commercial Service, at the U.S. Embassy in Brasilia, with regional responsibilities for South American countries.

Testing and Product Certification. There is no legal mandate to date to retest non-regulated products that have been approved in their country of origin. For non-regulated products, some U.S. marks and product certification may be accepted. As with standards, any certification that may be required in non-regulated sectors is a contractual matter to be decided between the buyer and the seller.

For regulated products, on the other hand, the relevant government agency generally requires that the entities that engage in mandatory certification (regulated products) must be accredited by INMETRO. Testing laboratories must similarly be accredited. Testing must generally be performed in country unless the needed capability does not exist in Brazil.

To facilitate the acceptance of U.S. products in the Brazilian market, agreements between U.S. and local certifiers and testing houses are encouraged. This could provide recognition of existing certifications. Also, there is no impediment for U.S. certification organizations to be established and accredited in Brazil.

Future trends. Brazil has developed national planning documents for standards and certification activities that indicate the sectors where activities will be focused.

Standards and Regulations in MERCOSUR. Brazil, as an active MERCOSUR member, participates in the development of both MERCOSUR standards and regulations.

MERCOSUR standards are developed by a committee where the private sector standards institutes of Argentina, Brazil, Paraguay and Uruguay are represented. The MERCOSUR Standards Association has an Executive Secretariat located in Sao Paulo. Most of the voluntary standards published deal with steel products and cement and concrete. Several hundred additional standards are at different stages of preparation or in the work plan with many in the electrical safety area.

Regional technical regulations are developed and/or harmonized within the MERCOSUR Sub Working Group 3 in the following fields: automotive, foods, metrology, safety of electrical products, toys and others. Other working groups are focused on telecommunications and health issues. To be applicable, harmonized MERCOSUR regulations must be adopted by each country.

International Agreements. Brazil, a member of the World Trade Organization (WTO), signed the TBT agreement on Technical Barriers to Trade, affirming its WTO obligations to use international standards to the maximum extent possible. Responsibilities under the TBT agreement include the establishment of a national inquiry point to serve as a central location for information on standards-related issues, including proposed mandatory regulations. The Brazilian inquiry point is in INMETRO in Rio de Janeiro. The US inquiry point is the NCSCI, located at NIST.

Information sources

For information on Brazilian and MERCOSUR standards, contact:

ABNT - Associação Brasileira de Normas Técnicas
Av. Treze de Maio 13 – 27 Andar
20003 900 Rio de Janeiro – RJ
Brazil

Phone: (55-21) 210-3122
Fax: (55-21) 240-8249
Website: http://www.abnt.org.br

Asociacion Mercosur de Normalizacion
Av. Mario de Andrade 664
01154-060 Sao Paulo – SP (Brazil)
Phone: (55-11) 823-9846/42
Fax: (55-11) 823-9689
E-mail: secexecmn@target.com.br

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

INMETRO – Instituto Nacional de Metrologia, Normalização e Qualidade Industrial
Rua Santa Alexandrina 416, Rio Comprido
20261-232 Rio de Janeiro – RJ
Brazil
Phone: (55-21) 502-1009
Fax: (55-21) 502-6542
Website: http://www.inmetro.gov.br

For information in the U.S., contact:

National Center for Standards and Certification Information (NCSCI)
National Institute of Standards and Technology (NIST)
Gaithersburg, MD 20899
Phone: (301) 975-4038
Fax: (301) 926-1559
E-mail: ncsci@nist.gov

American National Standards Institute (ANSI)
11 West 42nd Street
New York, NY 10036
Phone: (212) 642-4900
Fax: (212) 398-0023
Web Site: http://ansi.org

Free Trade Zones/Warehouses

As of May 1994, there are four free trade zones in Brazil -- Manaus, in the State of Amazonas; Macapá/Santana, in the State of Amapá; Tabatinga, in the state of Amazonas, which borders Peru; and Guajaramirim, in the State of Rondônia, bordering Bolivia. Four other free trade zones are authorized but not yet functioning -- Bonfim and Paracaíma in the state of Roraima, Brasiléia in the State of Acre and Epitaciolândia in the State of Rondônia.

The Manaus Free Trade Zone is the most extensively developed. Decree No. 288 of February 1967 established special incentives for a period of 30 years with the aim of creating an industrial, commercial and agricultural center in the heart of the Brazilian Amazon. The Manaus Free Trade Zone is a 10,000 square kilometer area which includes the city of Manaus, the capital of the State of Amazonas in the north of Brazil. Unlike Manaus, which has special incentives for the establishment of industries, the other zones are only free ports for imports and exports.

The Brazilian Constitution of 1988 endorsed the fiscal benefits of the Manaus Free Trade Zone and extended their applicability to the year 2013. Free Trade Zone status implies that goods of foreign origin may enter into the Manaus free port without payment of customs duties or other federal, state or local import taxes. In addition, the Industrial Products Tax (IPI) on certain commodities and the ICMS sales tax on most items are not applied. With very few exceptions imported products used for processing, re-export or transshipment which are subsequently shipped to other parts of Brazil also qualify for these tax exemptions. The ICMS sales tax is imposed on items produced in the free port when they are shipped out of the free zone into other areas of Brazil.

Law No. 8387 of December 30, 1991, modified the regulations for the Manaus Free Trade Zone by eliminating the previously existing import quota and requiring only that prior notification is made to the Superintendent of the Manaus Free Zone (SUFRAMA). However, in May 1995 the Brazilian Government returned to the import quota system and presently only imports of wheat and petroleum are not subject to quotas.

Manaus Free Trade Zone importers are allowed to supply foreign goods from their stock in Manaus to other parts of the country regardless of quantity. These goods, however, are subject to all duties assessed under normal importation. There is, however, the advantage that the ICMS (Merchandise Circulation Tax) is reduced to only 4 percent.

The Manaus Free Trade Zone was hard hit by the general lowering of tariff and non-tariff barriers. In July 1992 the government announced a series of measures to help the Manaus Free Trade Zone. Each industry must perform certain basic assembly steps in the zone in order to qualify for fiscal incentives. To protect Manaus industries, such as consumer electronics, which are heavily concentrated in the zone, the Tax on Industrialized Products (IPI) was raised by ten percentage points on competing products which are either imported from abroad or produced in Brazil outside the zone. The initial list included stereos, televisions, and VCRs, none of which are produced in Brazil outside the zone. Computers and peripherals were not on the list.

Fiscal incentives for Manaus include exemption from the IPI tax and from tariffs on imported components, reduced tariffs on products shipped from Manaus to the rest of Brazil; reduced state tax (ICMS) on products imported from or exported to the rest of Brazil, up to ten years exemption from federal income tax, and an exemption from import license fees.

The 1992 regulations allowed computer firms to benefit from both fiscal benefits and the change in local content requirements. With special government permission, computer firms, although required to perform much basic assembly in the zone, may be permitted to import circuit boards which use only surface mounted devices.

SECEX import licenses, issued through SISCOMEX, must be issued prior to shipment of goods destined for the Brazilian marketplace. These licenses are additionally subject to authorization by the Superintendent of the Manaus Free Trade Zone (SUFRAMA), the Manaus free zone authority. Commercial invoices and bills of lading must have "Free Zone of Manaus" typed on them, and one of the following statements: "Zona Franca de Manaus para Consumo" (Manaus Free Zone for Consumption) or "Zona Franca de Manaus para Reexportação" (Manaus Free Zone for Reexport).

Brazilian restrictions on the informatics sector no longer apply to the Manaus Trade Zone. A license and an authorization requirement for health/sanitary controls, national security interests, and environmental protection remain in effect.

Each passenger leaving Manaus is allowed a quota of US$ 2,000 (FOB value) of goods of foreign origin. Products manufactured in Manaus are not subject to the quota.

In addition to the free trade zones, 14 export processing zones have been authorized. The Ministry of Industry, Commerce and Tourism administers them. To date, only four have begun initial infrastructure construction; the remainder is still in the planning stages.

Legislation regarding ZPEs requires that firms operating in the zone export at least 90 percent of production. Up to 10 percent of production can be sold in the domestic market, and is subject to a duty of 75 percent ad valorem on the final price, minus the cost of imported inputs. Normal corporate income taxes apply to profits generated in the zones. Firms operating in the zones will be exempt from foreign exchange regulations and will maintain dollar and local currency accounts. The official Brazilian exchange rate must be used to convert dollar accounts for local purchases. Foreign firms established in the zones may use their own hard-currency resources for tax-free imports of machinery and raw materials from abroad. Firms in the ZPE may not produce goods subject to export quotas. License and authorization requirements remain in effect in ZPEs for health/sanitary controls, national security interests, and environmental protection.

Membership in Free Trade Agreements

Brazil is a founding member of Mercosul, the Southern Cone Common Market, a member of the World Trade Organization, and a participant in negotiations that would establish a Free Trade Area of the Americas by the year 2005. An imperfect Customs Union, Mercosul members Brazil, Argentina, Paraguay, and Uruguay implemented a Common External Tariff (CET) on January 1, 1995 (see discussion below for further details on the Mercosul CET). Chile and Bolivia joined Mercosul as associate members in 1996.

Customs Contact Information

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VII. INVESTMENT CLIMATE

Openness to Foreign Investment

Brazil welcomes foreign investment and has lifted many restrictions in the past several years to encourage foreign investors. The 1962 Foreign Capital law and subsequent amendments govern most foreign investment. Foreign investors have been permitted to invest in the Brazilian stock market since 1991. The Brazilian Congress approved constitutional amendments in 1995 to eliminate the distinction between foreign and national capital. New rules considerably liberalizing foreign investment in equities, which essentially put foreign investors on an equal footing with Brazilian, began to take effect as of March 31, 2000.

Other constitutional amendments passed in 1995 opened formerly closed sectors, such as petroleum, telecommunications, mining, power generation, and internal transport to foreign investors. Since 1996, the insurance sector has been open to foreign investors and most major U.S. firms are already represented, mainly via joint venture arrangements. The government plans to privatize the monopoly state enterprise, the Brazil Reinsurance Institute, and to open the market to foreign and domestic competition thereafter. New or expanded foreign investment in the banking sector is technically forbidden by the Constitution of 1988. However, since 1995 entry or expansion has been approved on a case-by-case basis on the basis of national interest, obligations under international agreement, or reciprocity. Foreign banks currently account for about 25 percent of total banking system assets and about two-fifths of private bank assets.

As of May 2000, Brazil had realized $74.5 billion in sales revenue and another $18 billion in debt transfer as a result of its decade-long privatization program that began in 1991. Federal privatizations accounted for two-thirds of the combined total of $92.5 billion. Foreign investment accounted for $32.5 billion in sales revenue, 44% of the total. The United States’ share was 15.1 percent. The overall U.S. investment total of $11.1 billion (a third of this in the telecom sector) accounted for 34% of all sales revenues from foreign investment in Brazil's privatization program from 1991 to May 2000. Primarily reflecting a surge in telecom investment in 1998, Spain took second place overall with a 12.4 percent share or $9.1 billion. Portugal took third place with a 6.7 percent share.

All foreign investment must be registered with the Central Bank. In most cases, registration is a pro forma matter. The certificate of registration permits remittances of profits and repatriation of invested capital without additional Central Bank authorization. Central Bank authorities say that they intend to proceed with general capital account liberalization in the medium term.

Non-governmental groups in Brazil do not regard foreign investment as a major issue. However, the degree of foreign investment in the state-owned petroleum and recently privatized energy and telecommunications monopolies remains controversial for some. Unions representing workers in these areas have also opposed privatizations. It is not uncommon for privatization auctions to be held up for some time by judicial proceedings. The Government of Brazil has been generally successful at dealing with such challenges, but opposition appears to be mounting to the process in several areas. There is continuing debate as to what limit, if any, to impose on foreign investment in Brazil's mass media. The worsening plight of the aviation sector has prompted re-examination of the restriction of foreign ownership to 20%. With the recent proposed transfer of the airport management monopoly to civilian control and discussion of possible privatization of the country's airports, there is a possibility that airport management and ramp services will be opened to foreign ownership or management in the future. One approach that is gaining acceptance and is being implemented for the partial privatization of Petrobras is the use of "pulverization." Under this system, used in the U.K. and Eastern Europe, shares are sold to the Brazilian public on an individual basis, rather than auctioning a bloc of stock to the highest bidder.

Brazil has witnessed a significant market opening in recent years. On occasion, the government has also demonst
a willingness to backtrack. Brazil's applied tariff rights are considerably lower than their bound rates. Brazil curre
maintains no applied tariff rates in excess of 35 percent. Tariffs under Mercosul's Common External Tariff syster
(TEC) were increased in November 1997 by 3 percent, except for energy and agricultural inputs. Many capital go
exported by the United States have been granted a flat 5 percent import tariff under a special regime.

In December 1995, the Government issued revised regulations establishing investment incentives in the automobile sector -- including a 50 percent reduction in import duties on automobile imports by manufacturers with production facilities in Brazil. However, this regime expired on January 1, 2000 consistent with a bilateral agreement between the United States and Brazil.

Right to Private Ownership and Establishment

Foreign and domestic private entities may establish, own, and dispose of business enterprises. In some circumstances, however, they may be subject to more restrictions than domestic private entities.

Protection of Property Rights

(See discuss of IPR under Chapter IV, cross ref.)
Patents -- The Industrial Property bill, approved by the Brazilian Congress in April 1996, and signed into law in May 1996, significantly improved Brazil's regime for the protection of patents and trademarks. In most respects, the law, which went into effect in May 1997, brings Brazil's patent and trademark regime up to the international standards specified in the Uruguay Round's Trade Related Aspects of Intellectual Property (TRIPS) Agreement.

The law provides patent protection for chemical/pharmaceutical substances, chemical compounds and processed food products, which were not patentable under Brazil's 1971 Industrial Property Code. The new law also provides for the patentability of genetically altered microorganisms. In addition, the new law extends the term for product patents from 15 to 20 years and improves protection for trademarks, including for internationally "famous" marks. The law provided for "pipeline" protection, effective immediately, for pharmaceutical, chemical and processed food products that have been patented in other countries but not yet placed on any market.

The new Industrial Property law includes compulsory licensing and local working requirements which may be TRIPS-inconsistent. The law would theoretically permit the grant of a compulsory license if a patent owner has failed to work, i.e. locally manufacture, the patented invention in Brazil within three years of issuance. There is an exception for cases in which local production would be "economically non-viable," in which case imports would be recognized as working.

Brazil is a signatory to the GATT Uruguay Round Accords, including the Trade Related Aspects of Intellectual Property (TRIPS) Agreement, signed in April 1994. Following passage of copyright and software copyright protection legislation in 1998, pending legislation on the protection of layout designs of integrated circuits is expected to bring Brazil's intellectual property rights regime in these areas up to TRIPS standards.

Brazil is a member of the World Intellectual Property Organization (WIPO) and a signatory of the Bern Convention on artistic property, the Washington Patent Cooperation Treaty, and the Paris Convention on Protection of Intellectual Property. In August 1992, Brazil removed its reservations and fully accepted the Stockholm revision of the Paris Convention.

Trademarks-- The fraudulent use of internationally "famous" marks has been a significant problem in Brazil. However, progress has been made in this area as Brazil has taken action in the last four years to provide greater protection for such marks. Some foreign firms have been successful in court actions against trademark infringement.

The new Industrial Property Law provides for significant improvements in Brazil's trademark regime, including better protection for internationally known trademarks. Trademark licensing agreements must be registered with the National Institute of Industrial Property (INPI) to be enforceable; however, the failure to register licensing agreements will no longer result in cancellation of trademark registration for non-use.

Copyrights: Brazil's copyright law generally conforms to world-class standards. The 1998 software copyright protection law contains provisions that would introduce a rental right and an increase in the term of protection to 50 years.

Despite the government's efforts to stem the flow of pirated goods through its ports and across the border with Paraguay, enforcement of copyright laws has generally been lax in selected sectors. The U.S. private sector estimates that piracy of videocassettes, sound recordings and musical compositions, books and computer software continues at substantial levels. In the last three years, enforcement of laws against video and software piracy has improved, and foreign firms have had some success in using the Brazilian legal system to protect their copyrights. For example, major U.S. software firms won landmark decisions against software pirates in 1998 and 2000. The Government of Brazil has also initiated action to reduce the importation of pirated sound recordings and videocassettes.

Integrated Circuit Layout Designs -- A government drafted bill to provide protection for the layout design of integrated circuits (computer mask works) was introduced in the Brazilian Congress in April 1996, but the bill has languished.

Brazil has not ratified the WIPO Treaties on Copyright and Performances and Phonograms.

Major Taxation Issues Affecting U.S. Business

U.S. business consistently reports tax issues as one of the most difficult, if not the most difficult, aspect of doing business in Brazil. Regulations are often opaque, duplicative and onerous. Effective rates of taxation are reported by U.S. companies as ranging as high as 60%. (in part due to the cascade effect of the current system.)

Profit and dividend remittances are subject to a 15 percent income withholding tax. Brazil has no double taxation treaty with the United States, but does have such treaties with a number of other countries. Please note, as stated above, that U.S. business is particularly concerned about some of the stringent tax and revenue restrictions on operations in Brazil. The US/Brazil Council of the U.S. Chamber of Commerce can provide additional information on these issues. The Brazilian Administration and the Congress are discussing and drafting legislation on overall tax reform. Some observers believe the prospects for some reform are strong.

It is also very important to perform rigorous proper due diligence in any business investment, especially related to the privatization process and especially in respect to tax liabilities. Several U.S. companies have found themselves confronted with tax liabilities, often in back taxes, that they did not fully account for in their due diligence process because of lack of clarity. Ideally, a specific opinion should be obtained from the Receita Federal (the Brazilian IRS) on all outstanding tax issues before purchase investments are made.

Performance Requirements/Incentives

Geographic preferences consist of tax benefits for investment in less developed parts of the country, such as the Northeast and the Center-West, with equal application to foreign and domestic investors. These benefits have had little impact on most foreign investment decisions; most foreign investment remains concentrated in the more industrialized southern part of Brazil. Some municipalities provide land on favorable terms for industrial development.

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

Brazil offers the following export incentives:

-- Tax and tariff exemptions for equipment and materials imported for the production of goods for export;
-- Excise and sales tax exemptions on export products;
-- Excise tax rebates on materials used in the manufacture of export products;
-- Withholding tax exemption for remittances overseas for marketing and for loan payments; and,
-- Financial operations (IOF) tax exemption for deposit receipts on export products.

Brazil offers the following investment incentives:

-- Accelerated depreciation on new machines and equipment for industrial production;
-- Income tax deduction for expenses of feeding workers and providing transportation;
-- Income tax deduction for cultural donations/sponsorships; and,
-- Value-added tax deductions for R & D spending in the telecommunications sector in Brazil.

The Special Agency for Industrial Financing (FINAME) of the National Bank for Economic and Social Development (BNDES) provides financing for purchases by Brazilian firms of Brazilian-made machinery and equipment -- capital goods with a high level of domestic content. An export program known as PROEX was established in 1991 to equalize domestic and international interest rates for export financing and to directly finance production of tradable goods. Revisions to PROEX were announced in 1995, 1997, 1998 and 1999. In 1999, roughly $861 million was budgeted for PROEX. Historically PROEX has never used more than 30 percent of its allocated budget, but in 1999 used around 70 percent. The government also has a series of smaller programs designed to assist small and medium sized businesses export.

Transparency of the Regulatory System

Although some improvements have been made, the Brazilian legal and procedural system is complex and often far from transparent. State courts in particular are subject to political influence. The central government has historically exercised considerable control over private business through extensive and frequently changing regulations. The bureaucracy has broad discretionary authority. To implement economic changes more rapidly, the government has resorted to presidential decrees rather than securing congressional approval of laws. Such decrees are frequently challenged in the courts and a number have been declared unconstitutional, makes planning difficult.

Taxes are numerous and burdensome, for those who collect them as well as for those who must fill out forms and make payments. During 1994, a 0.25 percent financial transaction tax was charged on every debit from bank accounts. This tax was reimposed at a 0.2 percent rate in January of 1997 and was raised to 0.38 percent as part of the government's fiscal stabilization program before falling back to 0.30 percent in June 2000. There is some talk of making the tax permanent due to its ease of collection.

The government has outlined an extensive overhaul and simplification of the tax system as part of its economic reform effort. Both the foreign and Brazilian business communities consider domestic tax reform a top priority. The Congress and Administration are currently debating a draft tax reform but it is uncertain that the Lower House could approve it prior to the end of 2000 given upcoming municipal elections. In addition to a likely transition period, new taxes enacted in one year cannot take effect until the following calendar year at the earliest. Tax reform must address the thorny issue of federal-state revenue and burden sharing.

Regulatory agencies for sectors such as telecommunications, energy and transportation are a relatively new phenomenon in Brazil. ANATEL, the country's telecommunication agency, handles the licensing and assigning of bandwidth in an open manner. In the power sector, several companies have complained about the low rate increases granted by ANEEL, which began regulating the power sector in 1998, following the switch to a floating rate exchange system and the subsequent sharp depreciation of the currency. An equally young regulatory body, national petroleum agency ANP has earned high marks from industry for its fair handling of auctions of areas for oil exploration.

Corruption

Corruption is a persistent problem in Brazil. Transparency International, a non-governmental organization based in Berlin, listed Brazil as the 45th most corrupt of 99 countries in its 1999 Corruption Perceptions Index, a survey of international business perceptions. In a show of good faith, Brazil has worked constructively with the U.S. and other countries in the hemisphere in developing the Inter-American Convention on Corruption. Brazil signed the Convention, which calls on signatories to pass legislation criminalizing corruption, in 1996.

A number of Brazilian NGOs have emerged to work for further progress in this area. Brazil has many laws against corruption but enforcement is weak. However, times are changing with many state enterprises already privatized or slated for privatization and public tolerance of political or business corruption clearly declining. The Government continues moving to deregulate many areas of the economy, which should diminish opportunities for corruption.

One of the only prominent figures to actually go to prison for corruption was a fund-raiser for former President Collor. Collor himself, although never prosecuted for influence-peddling, resigned the Presidency in 1992 under threat of impeachment by the Congress. Current President Fernando Henrique Cardoso has moved quickly to dismiss officials suspected of corruption and is himself widely regarded as a man of honesty and integrity. There are some recent indications that the Brazilian public and political classes are becoming less tolerant of corruption and impunity among public figures. The Brazilian congress has taken some dramatic steps in 1998 and 1999, investigating and then expelling one congressman for alleged involvement in violent criminal activity (the congressman is currently imprisoned), and in July 2000 expelled a senator for alleged illegal financial activity. The mayor of Sao Paulo also has been investigated for allegations of inappropriate use of influence, and those inquiries continue.

Labor

There is growing recognition that the Brazilian educational system has failed to adequately prepare the workforce for future economic growth. Regional disparities are profound in terms of the availability of skilled and semi-skilled workers. Regional disparities are also apparent in regard to illiteracy, which, according to 1990 Brazilian Institute of Geography and Statistics (IBGE) statistics, stands at 23.3 percent of the population -- with 14.7 percent illiteracy in the Southeast (including Rio and Sao Paulo) and 42.6 percent in the Northeast (including Recife and Salvador). Functional illiteracy is higher than the noted rates.

Brazil's work force numbers approximately 70,000,000 persons, but roughly half of that number work in the informal economy. IBGE calculates an average unemployment rate for the country based on data taken monthly from Brazil's six largest metropolitan areas. IBGE's survey showed that the average unemployment for these areas during 1998 was 7.75 percent, a substantial increase over the low of 3.8 percent registered in 1996.

The number of strikes in 1998 decreased slightly as Brazil had an average of 85 a month against more than a 100 a month in 1997. Given rising unemployment, most strikes have been over jobs and companies' plans for downsizing.

Brazil has ratified the ILO Convention on workers' rights, and those rights are respected scrupulously, if grudgingly. Labor unions, especially in the most skilled sectors, such as metalworking and banking, tend to be well-organized and aggressive in defending wages and working conditions. Unions have organized most sectors of the economy and in general do an excellent job of ensuring respect for workers' rights. In addition, workers may pursue their grievances through a system of labor courts that blanket the country.

Until recently, labor relations were dominated by a conflict approach. Both management and labor would stake out extreme positions and defend them as long as possible. The ultimate decision on salaries, job tenure, and other areas would be imposed by the labor courts, rather than through negotiated compromises between labor and management. The current Labor Minister has advocated a more negotiation-oriented approach, and is seeking changes in Brazilian labor laws to facilitate direct labor-management negotiations, and to deregulate and limit labor courts rule-making authority.

Efficiency of Capital Markets and Portfolio Investment

Brazil opened its market to foreign portfolio investment in 1991. In 2000, the government further liberalized stock market investment by granting foreign investors greater flexibility in reallocating domestic assets without passing through the foreign exchange market. The Brazilian financial sector is large and sophisticated in operating with high inflation, which was running at 50 percent per month by mid-1994. High real interest rates and bank reluctance to lend longer term have meant that few businesses, either foreign or domestic, have been able to borrow locally. With the floating rate regime and renewed stability, first-line firms are now finding it attractive and possible to borrow more domestically. Even so, companies doing business in Brazil normally seek to borrow from abroad to take advantage of lower interest rates and availability of longer term capital.

Larger firms enjoyed increasingly narrower spreads and longer tenors as perceived "Brazil risk" dropped prior to the onset of the Asian Financial Crisis in late 1997. Following the Russian Default in August 1998 and during the aftermath of the switch to a floating rate forex mechanism, access to international capital markets was constrained. Borrowing conditions improved in the first half of 2000 but have been affected by higher rates in the United States and worries about a "soft landing" for the U.S. economy. Despite improved borrowing conditions, bank lending spreads remain extremely high to due taxation, risk, and administrative overhead. The Central Bank has drawn attention to this phenomenon and has proposed a number of measures aimed at reducing the margin charged by banks.

With the introduction of the new currency, the "Real," in July 1994, monthly inflation dropped from 50 percent in June 1994 to only two percent for all of 1998 before rising to nine percent in 1999 due to the almost 60 percent nominal depreciation of the currency against the dollar. The disappearance of so-called "float income" due to high inflation caused the banking sector to enter a period of consolidation in 1995. The share of the financial sector in GDP consequently dropped sharply from almost 16 percent in 1993 to 7.3 percent by 1997. Brazil had 193 multiple and commercial banks as of December 1999, down eight institutions from December 1998. The number of total federal banks stayed at seven, but the number of state banks dropped by one to 11. The number of private national banks fell by 10 to 96, while the number of foreign affiliates reduced by four to 15. Reflecting a wave of acquisitions in recent years, the number of foreign controlled banks surged by 33 to 52 in the five and a half-year period.

The disappearance of so-called "float income" due to high inflation in the early 90's caused the banking sector to enter a period of consolidation in 1995. The share of the financial sector in GDP dropped sharply from almost 16 percent in 1993 to fewer than seven percent by 1995. Brazil had 233 banks as of December 1998, down 40 institutions from June 1994. The number of federal banks stayed stable at six, but the number of state banks dropped by ten to 24. The number of private national banks fell by 41 to 106, while the number of foreign affiliates stayed the same at 19. Reflecting a wave of acquisitions in recent years, the number of foreign controlled banks surged by 17 to 36 in the four and a half-year period.

The loss of "float income", estimated at US$ 9 billion in 1993 alone, domestic banks began to experience liquidity problems and 1996 and 1997 were marked by a series of failures, mergers, and acquisitions. Three of the country's ten largest banks failed and were taken over by other banks and some 20 smaller banks have been liquidated. Individual state banking institutions in particular are burdened with large amounts of unserviced debts owed by state governments and many are in poor financial health. Of 33 state banking institutions, an estimated two-thirds will be liquidated, privatized, or transformed into development agencies. Bank profits increasingly depend on arbitrage operations, i.e., borrowing overseas at lower rates to re-lend in Brazil and high spreads (over 20 percent on an annual basis) between what banks pay depositors and what they charge borrowers. Banks are also relying more on fee income for revenues and seeking to contain costs while expanding customer services.

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BRAZIL'S TEN LARGEST BANKS
Public and private
(US$ Billions)
(March 2000)

BANK	Total Assets	Total Deposits	Net Worth
Banco do Brasil	72.1	38.3	4.2
Federal Savings Bank	71.2	36.1	2.1
BNDES	51.0	0.2	6.7
Bradesco	42.2	19.6	3.9
Itau	29.1	12.7	4.1
Unibanco	18.1	4.9	2.5
Banespa	16.3	6.4	2.4
ABN Amro	15.6	4.5	2.5
Safra	12.0	1.8	0.7
BankBoston	9.3	1.4	0.6

Source: Central Bank
Notes. Dollar values of bank assets fell in 1999-00 due to depreciation of the domestic currency versus the dollar beginning in January 1999. Bradesco, Itau, Unibanco, and Safra are private banks. Banco do Brasil, the Federal Savings Bank (Caixa Economica Federal), and the National Bank for Economic and Social Development (BNDES) are federal banks. Banespa is the Sao Paulo state bank and is scheduled for privatization in 2000. ABN Amro and BankBoston are foreign-owned banks (Dutch and U.S.)

Few corporations raise capital through the Brazilian stock exchanges which are now being consolidated. In 1998 20 new issues in the primary market raised US$ 3,484 million and turnover in the secondary market was US$ 172,500. Trading is highly concentrated in a very few stocks. Over 1000 companies are listed on Brazilian exchanges; however, the shares of former state-owned telecommunications company, Telebras, accounts for over 50 percent of volume. State-owned petroleum company Petrobras, state-owned electric company Eletrobras and recently privatized Sao Paulo State telecom company TELESP together account for about 18 percent of trading activity on the Brazilian exchanges. Brazilian firms are also listing on the NYSE via American Depository Receipts (ADR's). Examples include Telebras, Unibanco, and Brahma Breweries.

The Brazilian Securities Exchange Commission (CVM) directly regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies. The CVM follows the policies set by the National Monetary Council and the Central Bank. Foreigners can only participate in the Brazilian securities market through a management company authorized by the CVM.

A president and four directors, appointed by the President and subordinate to the Finance Minister, administer the CVM. Legislation establishing the CVM (enacted in 1976) empowers it to supervise the activities and services of the securities market and impose fines to punish infractions. In general, enforcement is regarded as weak. CVM authorization is required before securities exchanges can start operations.

The CVM has acted to open the capital market both internally and for foreign institutional investors. New types of securities have been authorized. At present, up to two-thirds of a corporation's capital may be preferred (non-voting) shares, so it is possible to achieve majority control of voting shares, in some cases, by holding only 17 percent of total capital. Accords have been signed with the Argentine and Uruguayan stock exchanges to permit joint trading.

The Government of Brazil admitted foreign portfolio investment by institutions via Resolution 1832 of May 31, 1991. Foreign portfolio investors, institutions, and funds must be registered with the CVM. Previously, institutional investors could not invest directly, but only via an investment fund established abroad. An individual must invest a minimum of US$ five million. No longer must funds remain in the country for a minimum period before being repatriated. The dividend remittance tax is 15 percent. The following table shows the significant growth in foreign portfolio investment since the opening:

Portfolio Investment
in Brazil
(US$ MILLIONS)

YEAR	INFLOW	OUTFLOW	NET

1994	21,769	16,820	4,949	
1995	22,672	20,676	1,996	
1996	25,190	19,320	5,870	
1997	37,887	31,729	6,158	
1998	26,504	24,547	1,957	
1999	18,315	16,793	1,522	
2000	7,771	7,852	(81)	(Jan-May)

Note. Portfolio investment defined as Annexes I to V and Resolution 2.689 after March 31, 2000.
Source: Central Bank of Brazil

In mid-1991, foreign investors were permitted to invest in Brazil via American and international depository receipts (ADRs and IDRs), i.e. securities issued abroad based upon Brazilian shares deposited with a financial fiduciary institution. Permission for firms in Brazil to place commercial paper in international markets was granted in mid-1990 and has been much used as a cheaper source of financing than the high real rates and short-terms available in Brazil. Rules allowing swaps and hedges were issued in 1992. Resolution 1935 of June 30, 1992, authorized foreign institutional investors to trade on the futures and commodities market (BMF) futures and options contracts based on stock indices, interest rates, and exchange rates.

Leasing operations are extensively used and export financing by other governments is sometimes available for goods being imported into Brazil.

BNDES, the government national development bank, is the primary Brazilian source of longer-term credit. BNDES has traditionally limited its financing to Brazilian firms, but may consider loans to foreign firms, particularly for modernization and environmental purposes, particularly if BNDES' own source for such funds is foreign, e.g., the World Bank or Inter-American Development Bank or a bilateral official financing program. The first such loan to a multinational company was approved in June 1992.

FINAME (Special Agency for Industrial Financing) provides foreign and domestic companies operating in Brazil financing for the manufacturing and marketing of capital goods. In 1996 the program disbursed R$ 2.7 billion. FINAMEX (Export Financing) is a part of FINAME, which finances capital good exports for both foreign and domestic companies. An export credit program for capital and some consumer durable goods, known as PROEX, was established in 1991. PROEX receives funds from the National Treasury to offer assistance in the areas of interest rate equalization, capital and other goods exports, and service exports. Its operations have recently been strengthened and expanded by the Government in an effort to stimulate exports.

Wholly owned subsidiaries of multinational accounting firms, including the major U.S. firms, are present in Brazil. Changes in indices used to correct for inflation have, at times, made normal accounting practices more difficult and given rise to legal challenges. The failure of major banks and large businesses during 1995, notwithstanding positive financial statements prepared by the major accounting firms, raised doubts about the credibility of these financial statements. Beginning in 1996, auditors have been personally liable for the accuracy of accounting statements prepared for banks.

The government legally ended the reinsurance monopoly in late 1996. With the recent completion of work by private consultants to value the Brazil Reinsurance Institute (IRB) and to recommend a privatization model, the firm is scheduled to be privatized in July 2000 and the reinsurance market opened to foreign and domestic competitors thereafter. U.S. and European firms have expressed concern with certain of the proposed regulations that will govern the reinsurance market in Brazil following privatization of IRB. Chief among these are a $5 million collateral fund, limits on the ability of primary insurers to reinsure with foreign firms, and the provision the in law for a 60 percent market reserve to firms locally established in Brazil during an initial two-year transition period following the auction.

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

Conversion and Transfer Policies

There are few restrictions on converting or transferring funds associated with an investment. However, the Central Bank has broad administrative discretion in regulating remittances, which in the past has created problems for some foreign investors. At this time, foreign investors may freely convert Brazilian currency in the unified foreign exchange market wherein buy-sell rates are mainly determined by market forces. Foreign exchange transactions on the current account have been fully liberalized in practice and the Central Bank has announced plans to liberalize the capital account as well in the medium term.

Foreigners investing in Brazil must register their investment with the Central Bank Foreign Capital Registration and Supervision office (FIRCE). Investments involving royalties -- including franchises -- and technology transfer must be registered with the patent office (INPI) as well as with FIRCE. Registration with the Central Bank should be requested within 30 days of the inflow of resources to Brazil.

FIRCE has worked to eliminate registration delays and its regulations now call for approval within 30 days. If an application is not acted upon, approval is automatic at the expiration of this period. The Central Bank also registers leasing contracts and offers certain more favorable treatment for longer periods.

Foreigners investing in Brazil, who have registered their investment with the Central Bank, are able to remit dividends, capital, and royalties, provided that applicable taxes have been paid and certain other conditions met. This remittance transaction may be carried out at any bank by presenting the certificate of registration and showing that any applicable taxes have been paid. Profit/dividend remittances also require the submission of a balance sheet showing the profit realized. The bank arranging the remittance must check that all requirements have been met and enter the remittance in the Central Bank computer system. The procedure is the same for registering and remitting of principal and interest on loans in the private sector. Remittances of capital gains require specific Central Bank approval. Firms may reinvest any excess working capital and treat financial profits the same as operational profits.

Loan Payments-- Since January 1991, private firms have been allowed to pay external creditors directly. For foreign loans, bonds, commercial paper, etc., favorable income tax treatment is given on remittance of interest and other charges, provided the funds remain in Brazil for 30 months.

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

Under the provisions of a 1991 law, royalties for the use of patents and trademarks, and remuneration for technical, scientific, administrative or other assistance paid by the Brazilian subsidiary to an individual or entity domiciled overseas that directly or indirectly controls its voting capital has now become deductible, with some limitations, for purposes of determining taxable profits. Deductions are subject to the requirement that the parties sign an agreement that must be approved by INPI and registered with the Central Bank. The provision applies to contracts signed subsequent to January 1992. The law also permits remittance payments for trademark or patent licenses by a subsidiary established in Brazil to its controlling company overseas.

While the provision governing subsidiaries has been liberalized, branches (as opposed to subsidiaries) of foreign firms do not benefit from the law. Thus, a prohibition remains in effect on making either tax deductions or remittances for payment of royalties for trademark and patent licenses in those cases when the contract is between the branch in Brazil and the parent company headquartered overseas. Transfer of trademark fees is limited to one percent of turnover. In addition, legislation pre-dating the December 1991 changes and applying to both foreign and domestic firms, limits royalty deductions to 5 percent of product sales.

The remittance of franchise royalties requires prior action by INPI. In June 1992, INPI issued a regulation recognizing that the above are contained in franchising contracts and, on a case-by-case basis, will approve the contracts for the payment of franchise royalties.

Remittances related to technology transfers are subject to the tax on credit, foreign exchange, and insurance (IOF). The IOF tax that had been imposed on software royalty remittances was eliminated in late 1994.

Taxes-- Profit and dividend remittances are subject to a 15 percent income withholding tax. Repatriations are exempt from income tax. Beginning in 2000, lease payments were assessed a 25 percent withholding tax. Brazil has no double taxation treaty with the United States, but does have such treaties with a number of other countries. The United States and Brazil have discussed resuming negotiations on a bilateral tax treaty but no timetable has been set.

Identification-- the name of the person carrying out the transaction and the purpose must be provided for all foreign exchange transactions into or out of domestic currency above $10,000 in value.

OPIC Inconvertibility Claims-- In the event OPIC must pay an inconvertibility claim, the U.S. Embassy and other USG agencies operating in Brazil have an annual need for approximately $60 million in local currency. Brazil has had a history of high inflation since the 1970's, but it is now entering the seventh year of its most successful stabilization program. The "Real", was introduced on July 1, 1994 and has proved the most durable of the lot thus far. Despite the switch to a floating rate foreign exchange regime in January 1999 and consequently higher exchange rate risk for investors, there is no prospect for a switch to another currency or for the application of currency controls.

Expropriation and Compensation

There have not been any expropriatory actions in Brazil in the recent past nor any signs suggesting that the government is contemplating such actions. Some claims regarding land expropriations by state agencies many years ago have been judged by courts in U.S. citizens' favor. Individuals have not yet been compensated because the states have appealed these decisions. In other cases, U.S. firms have encountered lengthy court and administrative delays in seeking to collect funds owed them by government entities, e.g., for overpayment of taxes.

While not a case of expropriation, a high profile court case instigated by Governor Itamar Franco of the state of Minas Gerais against the U.S. minority stockholders in the CEMIG power company resulted in abrogation of their rights and substantial loss of investment rights and property. For that reason, some observers consider investment in the state of Minas Gerais as risky and problematic.

Dispute Settlement, Including Enforcement of Foreign Arbitral Awards

Brazil is not a member of the International Center for the Settlement of Investment Disputes (ICSID - also known as the Washington Convention) nor of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards.

In September 1992, the Administration sent to the Congress for approval of the text of the Interamerican Convention on International Commercial Arbitration, which Brazil signed in January 1975, as well as the 1979 Interamerican Convention on the Extraterritorial Efficacy of Foreign (Judicial) Decisions and (Arbitral) Awards (Sentenças e Laudos).

Brazil has signed Bilateral Investment Agreements with about 14 countries that permit arbitration by either ICSID or a panel set up under the United Nations Rules for International Commercial Law. The U.S. is not one of those countries and none of the agreements have yet been ratified. Legal experts doubt that such arbitration provisions would apply if the Government of Brazil, or another government entity, was one of the parties to the dispute.

*Arbitration clauses in contracts are not enforceable as such. Foreign arbitration awards require confirmation by a court of the country in which rendered and the Brazilian Supreme Court. Binding arbitration between foreign investors and state entities is apparently prohibited on the grounds that it infringes the sovereign rights of the state.

Brazil has a functional commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed, by the civil code. Bankruptcy laws provide for creditor rights and the Central Bank is seeking to streamline the assertion of lender rights in the case of default on a loan. An overburdened court system is available for enforcing property rights but decisions can take years. Decisions of the Supreme Federal Tribunal are not automatically binding on lower courts, leading to more appeals than would otherwise occur.

Political Violence (as it may affect investments)

There were no reports of politically motivated damage to foreign investors' projects or installations. Significant but decreasing human rights violations, however, continue to occur throughout Brazil. In urban areas, the police are sometimes implicated in killings and abuse of prisoners, and are rarely charged and convicted. In rural areas, powerful landowners, often aided by police serving as their private security agents, use violence to settle land disputes and influence the local judiciary. A notable case in June 2000, in the state of Para saw a landowner convicted of ordering the murder of a local Workers' Union official.

Bilateral Investment Agreements

Brazil has signed Bilateral Investment Agreements (BITs) with 14 countries and completed negotiations on two regional Mercosul agreements since 1994. Signatories include Portugal, Chile, the United Kingdom, Switzerland, Finland, France, Italy, Denmark, Venezuela, Korea, Germany, Cuba, the Netherlands, and Belgium-Luxembourg. There are two Mercosul investment-related agreements: the Buenos Aires Protocol ("extrabloc") and the Colonia Protocol ("intrabloc"). Negotiations are reportedly underway with other countries, including Norway, Spain, Sweden, and China. The Brazilian Congress have yet to ratify any of the investment treaties negotiated by the government although at least three have been approved by Lower House committees. Opposition is thought to be mainly politically inspired with objections centering on provision for dispute resolution, particularly when a Brazilian government entity is involved. The United States and Brazil currently have no plans to discuss a BIT.

OPIC and Other Investment Insurance Programs

Programs of the Overseas Private Investment Corporation (OPIC) are fully available and activity has increased in recent years. The size of OPIC's exposure in Brazil may occasionally limit its capacity for new coverage, particularly in the area of currency convertibility insurance.

Brazil became a member of the Multilateral Investment Guarantee Agency in 1992

Capital Outflow Policy

There are few restrictions on converting or transferring funds associated with an investment. However, the Central Bank has broad administrative discretion in regulating remittances, which in the past has created problems for foreign investors. At this time, foreign investors may freely convert Brazilian currency either at the "commercial" or "floating" rates. (Refer to Chapter VII, Conversion and Transfer Policies Section for further details.)

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

CAPITAL OUTFLOW FROM BRAZIL
1992-1999
(US$ millions)

YEAR	NET OUTFLOW
1992	2,328
1993	9,282
1994	18,480
1995	23,707
1996	20,559
1997	35,912
1998	36,290
1999	7,368 (Jan-Apr)

Source: Central Bank of Brazil.
Capital outflow total equals Portfolio + Direct Investment + Funds.

Major Foreign Investors in Brazil

As of December 1998, the United States was the largest single foreign investor in Brazil followed by Spain, Germany, Japan, and France. Investment from the Cayman Islands began growing rapidly in 1995 and is thought to represent mainly repatriation of Brazilian capital entering the country as foreign investment and, to a lesser extent, investment activity by other national groups. Investment from Spain and Portugal surged in 1998 due to involvement in telecom privatizations and greatly increased investment in the banking sector by Spain.

According to a study of Central Bank statistics carried out by the Brazilian Studies Center for Transnational Companies and Economic Globalization (SOBEET), the stock of direct foreign investment in Brazil stood at US$ 130.7 billion as of December 1998. Of this, the United States reportedly had the largest share at about 30% or about US$ 39 billion. Spain had 8.4% of the total or US$ 10.9 billion and Germany 8.1% or US$ 10.5 billion.

Four U.S. companies -- GM, Ford, Texaco, and Exxon -- are among the top ten domestic firms. Six of the top ten importing firms in 1998 were foreign: Fiat, General Motors, Mercedes-Benz, Ford, and Ericsson Telecommunications. Four of the top ten exporters -- Fiat, Ford, General Motors, and Volkswagen -- represented foreign investment.

Brazil's Contact Information for Investment-related Inquiries.

Questions regarding investment norms should be addressed to the Department of Foreign Capital of the Central Bank of Brasil - FIRCE, at the following addresses:

BANCO CENTRAL DO BRASIL
Departamento de Capitais Estrangeiros - FIRCE
SBS - Quadra 3 - Bloco B - Ed. Sede - 7^0 andar
70074-900 Brasilia - DF
phone # 55 61 414 1380
fax 55 61 226 3441

NATIONAL BANK OF ECONOMIC SOCIAL DEVELOPMENT - BNDES
República do Chile, 100/Room 1120
20139-900 – Rio de Janeiro – RJ
Phone: (5521) 277-7001
Fax: (5521) 533-1538
José Pio Borges, President
José Mauro Carneiro, Vice President
Fernando Perrone, Infrastructure Director
Sallustio Rosa, Financial Assistant
Phone: (5521) 277-7399
José Luis Osório , Privatization Director
Phone: (5521) 277-8061/8062
Fax: (5521) 240-3890

RIO DE JANEIRO STATE SECRETARIAT OF ECONOMIC AND TOURISM DEVELOPMENT
Rua da Ajuda, 5, 7 andar
20040-000 Rio de Janeiro, RJ
Tito Bruno Bandeira Ryff, State Secretary
Tel: 55-21-533-3656
Fax: 55-21-533-3525

CODIN – RIO DE JANEIRO INDUSTRIAL DEVELOPMENT COMPANY
Av. Nilo Peçanha, 11/Rooms 1003 and 1005 – Centro
20020-100 – Rio de Janeiro – RJ

Phone: (5521) 210-1375 / 240-3851/3588
Fax: (5521) 262-0001
Marco Antônio de A. Araújo Lima, President

RIO DE JANEIRO FEDERATION OF INDUSTRIES - FIRJAN
Eduardo Eugênio Gouveia Vieira
President
Av. Graça Aranha nº 1
CEP 20030-002 - Rio de Janeiro - RJ - Brazil
Tel: 55- 21-292-3939
Fax: 55-21-262-6705
Homepage: www.firjan.org.br

BANCO BOZANO SIMONSEN
Av. Rio Branco, 138
20.057-900 – Rio de Janeiro – RJ
Phone: (5521) 508-4000 / 508-4232 (President's office)
Fax: 508-4840
Julio Rafael de Aragão Bozano, Group President
Paulo V. Ferraz Pereira, President

BANCO ICATU
Av. Presidente Wilson, 231 /9th Floor
20.040-001 – Rio de Janeiro – RJ
Phone: (5521) 804-8500
Fax: (5521) 804-8600
Luis Antonio Nabuco Almeida Braga, President

BAHIA SECRETARIAT OF INDUSTRY, COMMERCE AND MINING
Centro Administrativo da Bahia
Quarta Avenida, 415
41750-300 Salvador BA
Phone: (55 71) 371-9962 / 370 7842 / 370 7838
Fax: (55-71)-370-7939
Benito Gama, Secretary

STATE OF BAHIA FEDERATION OF INDUSTRIES - FIEB
Rua Edistio Pondé, 342
41.760-310, Salvador, BA
Phone: (55 71) 343-1261
Fax: (55 71) 341-3593
José de Freitas Mascarenhas, President
Mauricio Chimabuquero, Economic Department

GOVERNMENT PLANNING SECRETARIAT
Palácio Anchieta

Praça João Clímaco, s/n
29015-110 Vitória ES
Ricardo Ferreira dos Santos, Coordinator
Tel: 55-27-322-0355
Fax: 55-27-322-0483

STATE OF ESPÍRITO SANTO FEDERATION OF INDUSTRIES -FINDES
Av. Nossa Senhora da Penha, 2053, Edif. FINDES
29.045-401, Vitoria, ES
Phone: (55 27) 227-4280
Fax: (55 27) 225-3603
José Bráulio Bassini – President

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SERGIPE FEDERATION OF INDUSTRIES
Federação das Indústrias do Estado de Sergipe
Idalito de Oliveira, President
Av. Carlos Rodrigues da Cruz, s/nº
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49080-190 Aracaju, SE
Tel: (55-79) 241 2410 / 241 3344
Fax: (55-79) 241 3564

SECRETARIA DO PLANEJAMENTO DO ESTADO DO RIO GRANDE DO SUL
Elbio Renato M. Martins
Av. Borges de Medeiros, 1501
Porto Alegre, 90119-900 RS
Phone: 55/51/225-8437
Fax: 55/51/228-9702

SECRETARIA DE ESTADO DA INDUSTRIA, COMERCIO E DESENVOLVIMENTO ECONOMICO DO ESTADO DO PARANÁ
Naim Akel Filho
R. Marechal Hermes, 751 - 3º andar
Curitiba, 80530-230 PR
Phone: 5541/ 254-7612 / 252-7102 / 252-4561/ 252-7676
Fax: 5541/ 252-4820

SECRETARIA DA HABITAÇÃO E DESENVOLVIMENTO URBANO DE SAO PAULO
Attilio Piraino Filho attilio@ibm.net
Rua Sao bento 405 22 andar
Sao Paulo, SP
Phone: 5511/239-1410 ou 5511/239-2112
Fax: 5511/239-0313

SECRETARIA DE DESENVOLVIMENTO ECONOMICO DE SANTA CATARINA
Antonio Ceron
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Florianópolis, SC
Phone: 55/48/ 216-8888
Fax: 55/48/ 216-8998

SECTION VIII. TRADE AND PROJECT FINANCING

Description of Banking System

The largest in South America, Brazil's banking system is highly developed, efficient, and offers a wide range of financial services. Brazil's Central Bank regulates banking and financial services, and maintains strict accounting and operational supervision. Private sector banks are often organized as financial conglomerates offering a full range of financial services through subsidiaries and associated companies. Many of Brazil's states have state-owned or controlled banks offering public and private banking services. However, the number of such state-level banking institutions has fallen in recent years due to the central government's financial and banking reform efforts.

The following are key governmental financial institutions:

National Monetary Council -- Sets financial and monetary policy;

Central Bank -- Executes monetary policy, sets interest rates within inflation-targeting policy framework via the Monetary Policy Committee (COPOM), manages exchange transactions, regulates banking and financial institutions, registers foreign investment;

Bank of Brazil -- Finances both public and private sector projects, primary lender to the agricultural sector;

National Economic and Social Development Bank (BNDES) -- Provides long-term financing and administers the privatization program.

For more information on Brazil's banking system, see Trade and Project Financing, and the Investment Climate Statement, Chapter VII.

Foreign Exchange Controls Affecting Trade (As Opposed to Investment)

Obtaining an import license gives importers access to foreign exchange to pay for imports at the commercial rate through commercial banks. Individuals may import items via catalogs or phone/mail order, paying with an international credit card. In May 1997, the government instituted new rules that forbade normal financing of outstanding balances arising from international credit card purchases. Ended in October 1999 were import financing restrictions imposed in April 1997 that had had required importers to purchase foreign exchange for financing purposes at least 180 days in advance of the due date for short-term supplier credit, i.e., of less than 360 days in duration. With the reduction of the financial operations tax (IOF) on overseas credit card purchases to less than two percent in February 2000, Brazil removed the last obstacle to full liberalization of the current account.

General Availability of Financing

Interest rates prevailing in Brazil for short term loans (60 to 90 days) range currently from 20 to 60% per month (with 12-month inflation of 14.4% in June 2000). The National Bank for Economic and Social Development (BNDES) is one of the few sources of long term financing in the market. The BNDES budget for 1999 was about US$ 20 billion for financing to small, medium or large Brazilian companies investing in capital goods, raw materials, infra-structure, energy or technology.

Loan terms for FINAME (Special Agency for Industrial Financing) are:

- Maximum coverage is 90 percent of transaction.
- Maximum of US$ 7,000,000 is automatic, per company, disbursed in one year. Disbursal above that limit depends on the company in question.
- Cost: currently 13.55 to 16.86 percent per annum (Long Term Interest Rate of 10.25 percent plus spread of three to six percent representing BNDES spread and commercial bank fee.
- Amortization period: six months to 5 years.
- Maximum grace period: up to twelve months.

FINEP - The Study and Projects Financing Agency of the Ministry of Science and Technology made available US$ 1 billion in 1995 for long term financing at 31.59% per annum (grace period 2 years and repayment period of 5 years) to Brazilian companies for developing new products, research centers, total quality systems, partnership and joint ventures. FINEP'S funds are made available to the public through some development banks.

Leasing, lease-back and leasing-import are widely used in Brazil. Leasing is available for both new and used, locally produced and imported equipment. The leasing operation includes financing of installation, transportation, freight, import taxes and all other taxes and fees involved in the importation.

How to Finance Exports/Methods of Payment

All the standard methods of export financing are available and used in Brazil. Brazilian commercial banks, and subsidiaries of international banks are active in trade finance. However, letters of credit and other trade finance can be expensive to open in Brazil. As a result, many suppliers extend open account privileges to established reliable clients in Brazil to avoid high financing costs.

United States Department of Agriculture Credit Assistance Program.

A GSM-102 credit assistance program was extended to the Brazilian private sector for the first time in the Fiscal Year 1995 (October-September). The program is currently authorized at US$ 250 million Terms were increased to 18 months in March 1997, at the time Brazilian government instituted restrictions on short term import financing. Payment terms are available for up to three years for breeder livestock exports.

The U.S. Department of Agriculture has authorized US$ 10 million in credit guarantees for sales of U.S. agricultural commodities to Brazil under the Commodity Credit Corporation's Supplier Credit Guarantee Program (SCGP) for Fiscal Year 1997. This is an adaptation of the GSM-102 program and is designed to assist exporters of U.S. agricultural commodities who wish to provide relatively short-term credit to their importers

These credit guarantee programs reduce the risk of nonpayment to U.S. banks that extend credit to Brazilian banks to finance U.S. agricultural exports. The reduction of risk may be reflected in lower interest rates on financing than would be the case without a USDA guarantee, or it may mean the difference for the availability of U.S. bank financing.

U.S. exporters may apply for credit guarantees on a first-come-first-serve basis to cover sales of any of food and agricultural products. Eligible products under the GSM-102 Program include: Breeder livestock (cattle, swine, sheep, goats, horses and donkeys, including semen and embryos); wine and brandy, distilled spirits (rum, wodka and whiskey); fresh vegetables (asparagus, beans, broccoli, carrots, cauliflower, celery, corn, garlic, lettuce, onions, peppers, potatoes and tomatoes); canned vegetables (asparagus, beans, carrots, corn, peas, tomatoes and tomato paste); frozen vegetables (beans, broccoli, carrots, corn and spinach); peanut butter or peanut flour; dairy products (butter, butter oil, ghee, anhydrous milk fat, non-fat and whole milk powder, whey powder, whey protein concentrate, lactose, non-sweetened condensed milk, fluid milk, lecithin and cheese); ice cream; meat, frozen or chilled (beef, pork and their products);wheat, wheat flour, semolina; cotton, 100% cotton yarn, 100% cotton fabrics (woven and knit unbleached/bleached/dyed, and/or printed); rice; feed grains (barley, including malting barley, white corn, yellow corn, sorghum and oats); corn products (flour, starch, corn meal, popcorn and gluten); pulses(dry beans, peas and lentils), poultry breeder stock (baby chicks, turkey pouts and hatching eggs); eggs and egg products (fresh, dry, refrigerated, frozen, albumin, etc); fresh fruits (apples, apricots, avocados, blueberries, cherries, grapes, grapefruit, kiwi, lemons, melons, nectarines, oranges, pears, plums, peaches, raspberries and tangerines); hops: hops extract; tallow: grease, lard, barley malt; potatoes(cut and chilled or frozen; flakes, granules); peanuts; commercially prepared dog and cat food, animal feed ingredients, fish food; seeds for sowing; almonds (walnuts, pistachios, hazelnut and pecan); dry fruits, frozen fruits, canned fruits, fruit pure and fruit pulp, 100% natural fruit juice; seafood (fresh and frozen);tomato paste; alfalfa; honey; skins; nutritional beverages preparations (for human consumption); soy protein products; vegetable oils; wood; beer; cereals; preparation for breads and pizzas (powder, refrigerated of frozen); canned pickles; ready-to-eat meals; soft drinks and sodas; soups and sauces.

Four additional credit options are also available for coverage of sales to Brazil. These new configuration are set forth below. Also, applicable guarantee fee rates, expressed in cents per US$100 of coverage (based upon guaranteed value) are shown. These fee rates include a charge to provide adjustable interest coverage.

Length (Term) of Coverage	Principal Repayment Intervals	Fee
15 months	Full repayment at 15 months	40.5
18 months	5/6 repayment at 15 months and 1/6 at 18 months	43.5
18 months	Full repayment at 18 months	48.8
36 months (Livestock only)	15/36 repayment at 15 months, 9/36 at 24 months, and 12/36 at 36 months	67.0

No interest coverage is offered. Two promissory note forms exist, one or the other of which must be used by the importer to evidence its obligation to pay for the U.S. agricultural commodities exported under SCGP. Exporters are advised by CCC to review thoroughly the provisions of these promissory notes with the importer. No changes may be made to the promissory note form elected for use and no other form of promissory note may be used.

In order to obtain an updated list of the OAA Brazilian participating banks, please contact the Foreign Agricultural Office at the U.S. Embassy in Brasilia.

Types of Available Export Financing and Insurance

Export-Import Bank of the United States

The Export-Import Bank of the United States (Eximbank) offers a range of loan, insurance and loan guarantee programs to facilitate exports of U.S. goods and services. The Bank's short-term, medium-term and long-term programs are available to support U.S. exports to Brazil when the obligor is a highly creditworthy private sector entity. Following a relaxation of policy in late 1998 reflecting Brazil's progress in making up arrears payments to U.S. Government lenders, a Brazilian public sector entity may be the end-user, obligor, or guarantor of financing provided with Export-Import Bank assistance.

The Bank does not require that a private sector commercial bank be the obligor or guarantor on all transactions. If the risk is with a non-bank company, its audited balance sheet and income statements must be very strong, and the company must have a good commercial track record.

The Ex-Im Bank requires information on proposed obligors and guarantors. Such information includes financial statements and credit references. Engineering data is required for long-term transactions.

Most of the Bank's recent medium-term Brazilian business has been done under the Credit Guarantee Program. Eximbank acts mainly as a guarantor of U.S. bank loans to private Brazilian banks, assuming the commercial and political risks of the loans. The Brazilian bank becomes the obligor and assumes the commercial risk of the transaction. The resources guaranteed by the Bank are made available to privately-owned Brazilian companies importing U.S. goods and services.

Ex-Im Bank works with the Foreign Credit Insurance Association (FICA) to offer various export insurance programs, including short-term and medium-term export insurance, multi-buyer insurance, letter of credit insurance, and lease insurance policies. Other Eximbank guaranteed export credits are available from the Private Export Funding Corporation (PEFCO), which borrows in the commercial market and re-lends for exports.

Additional information on Ex-Im Bank, FICA and PEFCO programs can be obtained from:

Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, D.C. 20571
(202) 566-8990

Eximbank Regional Offices:

Northeast 6 World Trade Center
Suite 238
New York, NY 10048
Phone: (212) 466-2950
Fax: (212) 466-2959

Southeast P.O. Box 590570
Miami, FL 33159-0570
Phone: (305) 526-7425
Fax: (305) 526-7435

Southwest Ashford Crossing II
1880 South Dairy Ashford
Suite 585
Houston, TX 77077
Phone: (713) 589-8182
Fax: (713) 589-8184

Midwest 55 W. Monroe Street
Suite 2440
Chicago, IL 60603
Phone: (312) 535-8081
Fax: (312) 353-8098

West 222 North Sepulveda Boulevard
Suite 1515
El Segundo, CA 90245
Phone: (310) 322-1152
Fax: (310) 322-2041

Overseas Private Investment Corporation (OPIC)

There is a huge potential for project finance operations in Brazil because of the lack of public funds for infrastructure investment. Market estimates are that US$ 26 billion need to be invested in the next four years of which US$ 9 billion will be in electric power, US$ 7 billion in telecommunications; US$ 5 billion in transportation; and US$ 5 billion in the petroleum sector.

Due to high domestic interest rates, almost all project finance is raised in the international market. Exporting companies typically securitize future export earnings not only for implementing restructuring projects but also for working capital.

Since February 1995, the Brazilian Government has granted concessions to private companies to explore commercially some of the activities formerly reserved to state-owned companies (electricity generation, road repair). The concessions opened new business opportunities for banks operating in Brazil. Several banks are engaged in project finance for private investors, by providing financial advisory services and raising funds. Preliminary studies involved in project finance can take as long as four years. Investors typically seek guarantees from international institutions because the long-term nature of the operations presents high commercial, economic, and political risk.

Some of the projects that could be undertaken through project finance include the construction of 19 hydroelectric plants which were halted in the past due to the lack of investment funds; the Brazil-Bolivia gas pipeline and associated power generation plants; and repair of several highways. Banco Pactual, Banco Chase Manhattan S.A. and Banco Itamarati are some of the banks in Brazil that have been involved in project finance.

Multilateral Development Banks/International Financial Institutions

The World Bank and the Inter-American Development Bank (IDB) are also involved in supporting infrastructure projects in Latin American countries. The IDB is planning to lend some US$ six billion during the period 1997-2000 in the region with 40 percent of this in the social sector. In Brazil, the World Bank had US$ 4.5 billion in undisbursed loan commitments at the beginning of 1996 and approved projects totaling US$ 875 million during the year. The Bank's activities include traditional cofinancing, World Bank guarantees, creating infrastructure funds to finance private project companies, and designing projects for future private sector participation.

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

The proposed 480 megawatt gas-fired Cuiaba integrated pipeline and power pland project in the state of Mato Grosso, at a projected cost of US$ 600 million, would be the first internationally financed independent power project in Brazil. If successfully implemented, the project could open the door to other such investments in Brazil that will boost economic growth and development. Although some technical problems remain, it is hoped that they will be resolved quickly.

Availability of Project Financing, Including OPIC and Eximbank Project Finance, Lending from Multilateral Institutions.

There is a huge potential for project finance operations in Brazil because of the lack of public funds for investing in infrastructure. Market estimates are that US$ 26 billion need to be invested in the Brazilian State-owned companies in the next four years of which US$ 9 billion will be in electric power, US$ 7 billion in telecommunications; US$ 5 billion in transportation; and US$ 5 billion in the petroleum sector.

Due to high domestic interest rates, almost all project finance is raised in the international market. Exporting companies typically securitize future export earnings not only for implementing restructuring projects but also for working capital.

Since February 1995, the Brazilian Government has granted concessions to private companies to explore commercially some of the activities formerly reserved to state-owned companies (electricity generation, road repair). The concessions opened new business opportunities for banks operating in Brazil. Several banks are engaged in project finance for private investors, by providing financial advisory services, raising funds from the investors themselves and often from international sources (Eurobond market and securitized papers). The preliminary studies involved in project finance can take as long as four years. Investors typically seek guarantees from international institutions because the long-term nature of the operations presents high political risk.

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Types of Projects Receiving Financing Support

The proposed 480 megawatt gas-fired Cuiaba integrated pipeline and power plant project in the state of Mato Grosso, at a projected cost of US$560 million, would be the first internationally financed independent power project in Brazil. If successfully implemented, the project could open the door to other such investments in Brazil that will a boost to economic growth and development and a source f long-term capital. Although some technical problems with Brazil's central bank has caused some delay in finalizing the accord, it is hoped that these technical impediments will be resolved quickly.

List of Banks with Correspondent U.S. Banking Arrangement

Brazil has one of the most sophisticated financial systems in Latin America. U.S. commercial banks have been in Brazil since 1915, and numerous American banks have a presence in Brazil today. In terms of asset size, Banco de Boston, Citibank, Chase, Banco Ford, JP Morgan, and Banco GM were among the top 50 institutions in the country as of March 2000. BankBoston (10) and Citibank (14) placed among the country's top 20 institutions on this basis.

American Express Bank Ltd. (São Paulo)
Banco de Boston (Sao Paulo)
Bank Audi (Sao Paulo)
Bank of America - Illinois (Sao Paulo)
Bank of America International of Florida (São Paulo)
Bank of America International of Texas (São Paulo)
Bank of America National Trust and Savings Association (Rio de Janeiro and Sao Paulo)
Bankers Trust Company (Sao Paulo)
Bear Stearns & Co. Inc. (São Paulo)
Capital Bank (Rio de Janeiro)
Chemical Bank (Sao Paulo)
Corestates Bank N.A. (Sao Paulo)
Delta National Bank and Trust Company of New York
(São Paulo)
First Interstate Bank of California (Rio de Janeiro)
First Republicbank Dallas, N.A. (Sao Paulo)
Harris Trust and Savings Bank (Sao Paulo)
Manufacturers Hanover Trust Company (Sao Paulo)
Mellon Bank (Sao Paulo)
Morgan Guarantee Trust Company of New York (Rio de Janeiro)
Nations Bank (Sao Paulo)
NCNB National Bank of North Carolina (São Paulo)

Pinebank (Sao Paulo)
Pittsburgh National Bank (São Paulo)
Republic National Bank of New York (Rio de Janeiro)
Security Pacific National Bank (São Paulo)
Skandinaviska Enskilda Banken Corporation (São Paulo)
Texas Commerce Bank N.A. (Sao Paulo)
The Chase Manhattan Bank N.A. (Sao Paulo)
UBS Securities Inc. (Sao Paulo)
Union Bank of California N.A. (Sao Paulo)
The Bank of New York (Sao Paulo)

IX. BUSINESS TRAVEL

Business Customs

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

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

While office hours in Brazil are generally 8:00 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 on a Brazilian executive are between 10 a.m. and noon, and 3 to 5 p.m., although this is less the case for Sao Paulo where appointments are common throughout most of the day. Lunch is usually two hours. It is customary in Brazil to drink coffee during a business appointment. While many Brazilians may speak English, they may wish to conduct business in Portuguese. The non-Portuguese speaking U.S. executive may need an interpreter on more than 50 percent of business calls. Correspondence and product literature should be in Portuguese, and English is preferred as a substitute over Spanish. Specifications and other technical data should be in the metric system.

Travel Advisory and Visas

While visitors for tourism may enter Brazil with the tourist visa, Brazilian law requires that travelers must have a temporary (business) visa if they plan to transact business. "Business" would include signing legal documents, engaging in financial or commercial transactions, and working or engaging in research. Many cases have recently been brought to our attention of U.S. companies having problems obtaining business visas. The change is apparently due to a stricter application of the work requirements restrictions. In cases where a business visa would normally be sufficient, U.S. companies are being required to obtain work visas, which are difficult to obtain. The concern has been brought to the attention of the Government of Brazil, which is seeking to clarify the issue. However, businessmen should be aware that anyone traveling to Brazil on work assignments may be required to obtain work visas.

Tourist visas generally are valid for a stay of 90 days. A temporary business visa is also valid for 90 days. Transit visas are valid for 10 days and require travelers to enter and exit through the same port.

Details regarding Brazilian visa procedures and requirements are provided in literature available on request from the Consular Section, Embassy of Brazil, 3006 Massachusetts Avenue, NW Washington, DC 20008. Tel: (202) 745-2828.

Holidays

The following holidays are designated by the Brazilian Government:

New Year's Day	January 1
Carnival*	Four nights and three days preceding Ash Wednesday
Good Friday	Varies
Easter Sunday	Varies
Tiradentes Day	April 21
Labor Day	May 1
Corpus Christi	varies
Independence Day	September 7
Elections Day	October 5
"Nossa Senhora Aparecida" (Our Lady Appeared)	October 12
All Souls Day	November 2
Proclamation of the Republic	November 15
Immaculate Conception	December 8
Christmas Day	December 25

In addition, various state holidays and other religious and federal holidays are proclaimed throughout the year. Some of these include:

San Sebastian Day (Rio de Janeiro only)	January 20
Anniversary of the Founding of the City of Sao Paulo (Sao Paulo only)	January 25
"Nossa Senhora dos Navegantes" (Porto Alegre)	February 2
Evangelic's Day (Brasília only)	November 30

* Avoid arriving during Carnival unless reservations have been confirmed in advance.

Business Infrastructure

Air Travel -- Brazil has four principal airlines: TAM, Transbrasil, Varig and Vasp. These companies provide efficient service throughout the country. Brazilian regional airlines provide service to their respective parts of the country. Private charters rentals are available at major airports in Brazil. Scheduled airline fares are comparable to those in Western Europe.

Business people, travelers, and residents spend a good deal of time among the four most important cities -- Sao Paulo, Rio de Janeiro, Brasilia, and Belo Horizonte. Sao Paulo is Brazil's center for commerce and manufacturing; Rio de Janeiro is important for its service industries; several state companies; for oil/gas and service industries as well as hosting major national entities such as the Brazilian Development Bank, Petrobras, Eletrobras, etc. Brasilia is the seat of government and location of foreign embassies; and Belo Horizonte is a major industrial/mining center. An excellent air bridge (or "ponte aérea") service facilitates travel among those cities. During rush hours, flights between Rio de Janeiro and Sao Paulo leave every 15 minutes from conveniently located downtown airports. For weekend travel, return reservations must be confirmed for Rio on Friday evening and for return to Sao Paulo or Brasilia on Monday morning.

Local Transportation -- Meter taxis, identified by roof lights, are plentiful in urban areas. However, getting about in Sao Paulo and other large cities can still be a problem. It is not always possible to rely on taxis when making calls. They are extremely difficult to find at certain hours of the day and in certain sections of the city. Fares are inexpensive and sometimes a table used to adjust fares is posted on the inside of the taxi's rear window. It is not necessary to tip. Also, in Sao Paulo and in Rio, taxi fares are comparable to large U.S. cities such as Washington D.C.

Radio taxis (cabs) are more expensive but convenient and reliable. In Rio call: 270-1442, in Sao Paulo call: 251-1733, in Brasilia call: 224-3030 or 224-7474, and in Belo Horizonte call: 464-3999.

Rental cars are common, especially at airports. They can be costly compared with other forms of transportation. Sao Paulo and Rio de Janeiro are very confusing for a newcomer; driving is not recommended.

Time -- Local time in Brazil is two hours ahead of Eastern Standard Time. Brazil observes daylight savings from December to February. When daylight savings is in effect in the United States, i.e April to October, Brazilian time is one hour ahead. When daylight savings is in effect in Brazil, i.e November to March, Brazilian time is three hours ahead.

X – ECONOMIC AND TRADE STATISTICS

APPENDIX A

Country Data

Profile

Population: 167,990,000 million inhabitants (estimate 2001)

Population Growth Rate: 1.20 percent annually.

Religion(s): Predominantly Roman Catholic, with growing Protestant influence.

Government System: Democratic, Federative Republic, Presidential system, with executive branch agencies, two-house congress (Senate, Chamber of Deputies), and judicial branch.

Language(s): Portuguese

APPENDIX B

Domestic Economy

	1999	2000 1/	2001 1/
Nominal GDP (US$ bil)	555	610	650
GDP Real Growth Rate (%)	0.8	3.0	4.0
GDP Per Capita (Current US$)	3,400	3,700	3,850
Govt Spending as a % of GDP	10.0	4.0	3.0
Annual Inflation (%) /2	8.4	5.6	4.0
Unemployment Rate (%) /3	7.5	8.0	8.0
Foreign Exchange Reserves (US$ bil)	36.3	40.0	40.0
Avg. Exchange Rate (R/US$1)	1.82	1.85	1.90
Debt Service/Exports (%)	36.3	35.4	37.00
US Econ/Mil Assist (US$ mil)/4	13.4	12.7	14.0

Notes:

1/ 2000 = estimate; 2001 = projection
2/ Inflation as measured by the National Consumer Price Index (INPC) produced by the Brazilian Institute of Geography and Statistics (IBGE).
3/ Open unemployment as percent of economically active workforce
4/ No military assistance; USAID figures only.

APPENDIX C

Trade

In US$ Millions FOB

	1999	2000(P)	2001(E)
Total exports	48.0	54.5	58.0
Total imports	49.0	52.0	53.0
US exports	11.9	12.0	12.5
US imports	10.8	11.9	13.0

Source: Secretaria da Receita Federal, Ministério da Industria, Comércio e Turismo and the U.S. Department of Commerce, Census Bureau.

APPENDIX D

Investment Statistics

Foreign direct investment statistics

FDI Gross Flows by Country in Brazil,
Top Ten, 1999
(US$ Millions, Percent)

COUNTRY	AMOUNT	SHARE	GROWTH % (99/98)
United States	8,089	29.3	72
Spain	5,702	20.7	11
Portugal	2,409	8.7	37
Cayman Islands	2,115	7.7	17
The Netherlands	2,042	7.4	-39
France	1,982	7.2	10
United Kingdom	1,269	4.6	892
Italy	408	1.5	-37
Switzerland	404	1.5	86
Sweden	315	1.1	32
Other	2,829	10.3	-39
Total	27,564	100.0	18

Source: Central Bank of Brazil, Department of Foreign Capital (FIRCE)
Notes: figures are inflows during 1998 for investments greater than $10 million in value. The Central Bank hasn't released stock figures by country of origin since 1996.

FDI GROSS INFLOWS BY SECTOR AND
SELECTED SUBSECTOR, 1999
SHARE AND 1999/98 GROWTH
($ MILLIONS, PERCENT)

SECTOR (SUBSECTOR)	FLOW	SHARE	99/98 GROWTH
-			
AGRICULTURE	422.5	1.5	197
-			
(Metallic Minerals Extraction)	49.7	0.2	-1.8
-			
INDUSTRY	7,002.3	25.4	153
-			
(Chemicals)	1,271.8	4.6	258
(Autos)	1,831.0	6.7	73
(Food/Beverages)	1,239.4	4.5	831
(Basic Metals)	112.6	0.4	-5
(Machinery/Equipment Manufacturing)	87.2	0.3	-50
-			
SERVICES	20,139.6	73.1	99
-			
(Mail & Telecom)	7,797.1	28.3	204
(Business Services)	3,327.0	12.1	40
(Electricity, Gas)	2,969.6	10.8	35
(Financial Intermediation)	1,676.9	6.1	-72
(Real Estate)	83.6	0.3	225
-			
TOTAL	27,564.4	100.0	18
-			
-			

Source: Central Bank of Brazil, Department of Foreign Capital (FIRCE)

U.S. INVESTMENT TRENDS

According to U.S. Department of Commerce data, U.S. foreign direct investment (FDI) in Brazil reached US$ 35 billion at the end of 1999. This represented decrease of 8.4 percent compared to 1998 and put Brazil eighth in the world in terms of the U.S. direct investment stock between France and Mexico, excluding Bermuda. The reduction was primarily due to a negative exchange rate effect along with a reduction in capital outflow. The fasting growing sector is banking.

U.S. FDI (defined as net financial claims of U.S. parents on foreign subsidiaries) in Brazil is dominated by manufacturing with a 58 percent share. Banking and finance account for another 21 percent of the total. U.S. investment in Brazil accounted for nearly half of total American FDI in South America in 1999. With respect to manufacturing investment only, FDI in Brazil was equal to 71 percent of the continental total.

CHAPTER XI – U.S and Country Contacts

APPENDIX E

Brazilian Government Contacts

Ministry of Agriculture
Secretariat of Agriculture & Livestock Defense
Esplanada dos Ministerios,
Bloco D, Anexo B
70043-900 Brasilia, DF
Phone: 55/61/218-2828
Fax: 55/61/218-2586

Brazilian Central Bank
Banco Central do Brasil
SBS - Edifício Sede do Banco Central do Brasil
70074-900 Brasilia, DF
Phone: 55/61/414-1414
Fax: 55/61/321-9456
http://www.bcb.gov.br

Bank of Brazil
BB - Banco do Brasil S/A
SBS, Quadra 4, Lote 32, Bloco C,
Ed. Sede III
70073-900 Brasilia, DF
Phone: 55/61/310-2000
Fax: 55/61/310-6313/6314
http://www.bancobrasil.com.br

National Bank of Economic Social Development
BNDES - Banco Nacional de Desenvolvimento
Av. República do Chile, 100
11 floor, Centro
20031-170 Rio de Janeiro, RJ
Phone: 55/21/225-4350/277-7447
Fax: 55/21/533-1538
http://www.bndes.gov.br

Ministry of Science and Technology
MCT - Ministerio da Ciencia e Tecnologia
Esplanada dos Ministérios
Bloco E, 4 floor
70067-900 Brasilia, DF
Phone: 55/61/317-7500
Fax: 55/61/317-7771
http://www.mct.gov.br

Ministry of Communications
Ministerio das Comunicacoes
Esplanada dos Ministerios - Bloco R, 8th floor
70044-900 Brasilia, DF
Phone: 55/61/311-6000
Fax: 55/61/223-3755

Brazilian Long Distance Telephone Company (EMBRATEL)
Empresa Brasileira de Telecomunicacoes S.A.
Av. Presidente Vargas, 1012
Edifício Sede, 15 floor
20179-900 Rio de Janeiro, RJ
Phone: 55/21/519-8182
Fax: 55/21/233-7549/519-8081
DPR: Public Relations Department
http://www.embratel.gov.br

EMBRATUR - Ministry of Industry and Commerce
SCN - Q2 - Bloco G - 3 floor
70710-500 Brasilia, DF
Phone.: 55/61/328-9100
Fax.: 55/61/328-9889
Contact: Dr. Caio Luiz Cibella de Carvalho, President
http://www.embratur.gov.br

Brazilian Industrial Property Institute
INPI - Instituto Nacional da Propriedade Industrial

Praça Mauá 7, 18 floor - Centro
20081-240 Rio de Janeiro, RJ
Phone: 55/21/291-1223
Fax: 55/21/263-2539

Ministry of Aeronautics
Ministerio da Aeronautica
Esplanada dos Ministérios - Bloco M
70045-900 Brasília, DF
Phone: 55/61/313-2345
Fax: 55/61/313-2110

Ministry of Development, Industry and Commerce(MICT)
Ministerio do Desenvolvimento Industria e Comercio
Esplanada dos Ministérios, Bloco J, 6 floor
70056-900 Brasília, DF
Phone: 55/61/329-7002/7001
Fax: 55/61/329-7230/7382
http://www.mict.gov.br

Secretariat of Foreign Trade (SECEX-MIDT)
Secretaria de Comercio Exterior
Esplanada dos Ministerios
Bloco J, 8 floor, Room 812
70056-900 Brasilia, DF
Phone: 55/61/329-7077/7080
Fax: 55/61/325-2075
http://www.mict.gov.br

Secretariat of Foreign Trade (SECEX-MIDT)
Secretaria de Comercio Exterior
Esplanada dos Ministerios
Bloco J, 8 floor
70056-900 Brasilia, DF
Phone: 55/61/329-7081/7084
Fax: 55/61/325-2075
contact: Antônio José Gadelha Alves
(question on tariffs)

Ministry of Finance
Ministerio da Fazenda
Esplanada dos Ministérios - Bloco P, 4 floor
70048-900 Brasília, DF
Phone: 55/61/412-3000
Fax: 55/61/223-5239
http://www.fazenda.gov.br

Secretariat of Internal Revenue Service
Secretaria da Receita Federal
Esplanada dos Ministerios - Bloco P, 7 floor, room 733
70048-900 Brasilia, DF
Phone: 55/61/412-2000
Fax: 55/61/321-0488

Ministry of Mines and Energy
Ministerio das Minas e Energia
Esplanada dos Ministerios - Bloco U
70065-900 Brasilia, DF
Phone: 55/61/319.5555 and 223.9059
Fax: 55/61/226-1866
http://www.mme.gov.br

Ministry of Foreign Relations
Ministerio das Relacoes Exteriores
Esplanada dos Ministerios
Palacio do Itamaraty
70170-900 Brasilia, DF
Phone: 55/61/211-6161
Fax: 55/61/223-7362
http://www.mre.gov.br

Ministry of Health
Ministerio da Saude
Esplanada dos Ministerios - Bloco G, 5o. Floor
70058-900 Brasilia, DF
Phone: 55/61/315-2425
Fax: 55/61/224-8747
http://www.ms.gov.br

Brazilian Petroleum Company
PETROBRÁS - Petroleo Brasileiro S.A.
Av. República do Chile 65, 24 floor, Centro
20035-900 Rio de Janeiro, RJ
Phone: 55/21/534-4477
Fax: 55/21/240-9394

Department of Civil Aviation
DAC - Departamento de Aeronautica Civil
Aeroporto Santos Dumont, 4 floor
20021-340 Rio de Janeiro, RJ
Phone: 55/21/544-6708
Fax: 55/21/220-0587

Country Trade Associations/Chambers of Commerce

Air Conditioning, Heating, Refrigeration, Ventilation

ABRAVA - Brazilian Association of Manufacturers of Refrigeration, Heating, Air Conditioning and Ventilation Equipment
Av. Rio Branco, 1492
01206-001 Sao Paulo, SP
Phone: 55/11/221-5777
Fax: 55/11/222-4418
Contact: Mr. Arnaldo O. Correia, General Manager, Foreign Trade Dept.
www.abrava.com.br

Apparel Manufacturers

ABRAVEST - Brazilian Apparel Association
Rua Bastos Pereira, 250
04507-010 Sao Paulo, SP
Phone: 55/11/3887-4500
Fax: 55/11/3885-5638
Contact: Mr. Roberto Chadad, President
www.abravest.org.br

Automotive Components Manufacturers

ANFAVEA - National Association of Vehicle Manufacturers
(Associação Nacional dos Fabricantes de Veículos Automotores)
SINFAVEA - National Association of Tractor, Truck, Automobile and Similar Vehicle Manufacturers (Sindicato Nacional da Indústria de Tratores, Caminhões, Automoveis e Similares)
Avenida Indianópolis, 496
04062-900 São Paulo, SP, Brazil
Tel: 55/11/549-4044
Fax: 55/11/549-4044 - Ext. 225
Contact: Mr. Paulo Sotero Pires Costa, Executive Director

SINDIPEÇAS - National Association of Autoparts Manufacturers
(Sindicato Nacional da Indústria de Componentes para Veículos Automotores)
Rua Abílio Soares 1487
04005-005 São Paulo, SP, Brazil
Tel: 55/11/884-4599
Fax: 55/11/884-0584
Contact: Mr. Luiz Carlos Auler Pereira, Foreign Trade Adviser.

ABEIVA - Brazilian Association of Motor Vehicle Importers

(Associação Brasileira dos Importadores de Veiculos Automotores)
Rua Helena 260, Conj. 92/94, 9o. floor – Vila Olimpia
04552-050 São Paulo, SP, Brazil
Tel: 55/11/3049-3051
Fax: 55/11/3049-3058
Contact: Mr. Carlos Vilhena, Executive Director

Brazilian Federation of Banks

FEBRABAN - Brazilian Federation of Banks
Rua Libero Badaro 425 / 17º floor
01069-900 Sao Paulo, SP
Phone: 55/11/232-7623
Fax: 55/11/37-8486
Contact: Mr. Wilson Antonio Salmeron Gutierrez, Superintendent

Building Products

ANAMACO - National Association of Building Materials Retailers
Av. General Olimpio da Silveira, 655 7o. floor, conj. 72 01150-001 Sao Paulo, SP
Phone: 55/11/262-7533
Fax: 55/11/3872-0819
Contact: Mr. Claudio Elias Conz, President

Cable TV

ABTA - Brazilian Association of Cable TV
R. Paes de Araujo 29, 18 floor, conj. 181/182
04531-940 Sao Paulo, SP
Phone: 55/11/822-9307
Fax: 55/11/822-9307
Contact: Mr. Alexandre Annenberg, President

Construction

ABICEM - Brazilian Association of Metallic Construction Contractors
Av. Brig. Faria Lima, 1931 - 9 Floor
01452-001 Sao Paulo, SP
Phone: 55/11/816-6597
Fax: 55/11/813-8717
Contact: Mr. Marcio Guimaraes, Executive Director

SINDUSCON - Association of Building Contractors of the State of Sao Paulo (residential and commercial buildings, only)
Rua Dona Veridiana, 55 – Bairro Santa Cecilia

01238-010 Sao Paulo, SP
Phone: 55/11/224-0566
Fax: 55/11/224-8266
Contact: Mr. Sergio Porto, President

SINDUSCON - Ditto, State of Rio de Janeiro
Rua do Senado, 213 - 1 floor - centro
20231-020 Rio de Janeiro, RJ
Phone: 55/21/221-5225
Fax: 55/21/221-5195/852-8995
Contact: Mr. Natalino Rabinovicht, President

SINDUSCON - Ditto, State of Paraná
Rua da Glória, 175, 2o. floor – Bairro Centro Civico
80030-060 Curitiba, PR
Phone: 55/41/352-2883
Fax: 55/41/253-5567
Contact: Mr. Gustavo Daniel Berman, President

Dental, Medical and Hospital Equipment

ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment
Av. Paulista 1313, 8º Floor, conj. 806
01311-923 Sao Paulo, SP
Phone.: 55/11/285-0155
Fax.: 55/11/285-0018
Contact: Dr. Ermano Marchette Morais, Director

SINAEMO - Syndicate of Medical, Dental, Hospital and Laboratory Industries
Av. Paulista 1313, 8º Floor, conj. 806
01311-923 Sao Paulo, SP
Phone.: 55/11/285-0155
Fax.: 55/11/285-0018
Contact: Dr. Ermano Marchette Morais, Director

Energy

Brazilian Association of Electrical Energy Concessionaires
Rua Padre Garcia Velho, 73, 84
05421-030 Sao Paulo, SP
Phone.: 55/11/212-5292
Fax.: 55/11/815-4669/211-3968
Contact: Mr. Nelson Vieira Barreira, President

APINE - Brazilian Association of Independent Electrical Energy Producers

SCS Quadra 2
Edifício Centro Empresarial
Encol Torre B, room 622
70329-900 Brasilia, DF
Phone.: 55/61/225-6700
Fax.: 55/61/322-2940
Contact: Mr. Roberto de Moraes Maisonnave, President

World Energy Council
Rua Real Grandeza, 219
22283-900 Rio de Janeiro, RJ
Phone.: 55/21/246-8593
Fax.: 55/21/226-0508
Contact: Mr. José Luiz Alqueres, President

Environment

CONAMA - National Council of Environment
SAIN - Avenida Norte - Quadra 604 - Edif. Sede do IBAMA, 8o. floor - Room 54
70800-200 Brasilia, DF
Phone: 55/61/317-1392
Fax: 55/61/226-4961
Contact: Ms. Leda Famer, Manager, Solid Residues Department

CETESB - Sao Paulo State Environmental Agency
Avenida Professor Hermann Jr., 345
05489-900 Sao Paulo, SP
Phone: 55/11/3030-6000
Fax: 55/11/3030-6402
Contact: Ms. Fatima A. Carrara, Manager Int'l Affairs

FEEMA - Rio de Janeiro State Environmental Agency
Rua Fonseca Teles 121, 14 Floor
Caixa Postal 23.011
20940-200 Sao Cristovão, RJ
Phone: 55/21/585-3366 ext. 216
Fax/tel: 55/21/580-9229
Contact: Mr. Americo Fernando M. Lopes, Chief of the Industrial Control Division.
Mr. José Alencar, Chief of Engineering Services, Liquid Effluent Dept.

FEPAM - Rio Grande do Sul State Environmental Agency
Rua Carlos Chagas 55
90030-020 Porto Alegre, RS
Phone: 55/51/225-1588
Fax: 55/51/212-4221

Contact: Dr. Lucia Coelho, Engineer and Project Director

SABESP - Sao Paulo State Sewage and Water Treatment Company
Rua Costa Carvalho, 300
05429-000 Sao Paulo, SP
Phone: 55/011/3030-4254
Fax: 55/011/813-5405
Contact: Mr. Joao Jorge da Costa, Director of Environmental Department

ABIQUIM - Brazilian Association of the Chemical Industry
Rua Santo Antonio, 184 - 17/18 floor
01314-900 Sao Paulo, SP
Phone: 55/11/232-1144
Fax: 55/11/232-0919
Contact: Dr. Carlos Mariani Bittencourt, President
Dr. Eduardo Eugenio Goveia Vieira, Vice President

ABES - Brazilian Association of Environmental and Sanitary Engineering
Av. Beira Mar, 216, 13 floor
20021-060, Rio de Janeiro, RJ.
Phone: 55/21/210.3221
Fax: 55/21/262-6838
Contact: Mr. Maria Isabel, International Assistant

FIESP - Federation of the Industries of the State of Sao Paulo
Avenida Paulista, 1313 5 floor Room 505
01311-923 Sao Paulo, SP
Phone: 55/11/252-4200
Fax: 55/11/284-3611
Contact: Dr. Angelo Albiero Filho, Director of the Environment Department

SINDESAM - National Department of Sanitation Equipment Manufacturers
Avenida Jabaquara, 2925
04045-902 Sao Paulo, SP
Phone: 55/11/5582-6365
Fax: 55/11/5582-6379
Contact: Mr. Antonio Carlos Germano Gomes, President

Food

ABIA - Brazilian Association of Food Industries
Av. Brig. Faria Lima, 1478 - 11 floor
01451-913 Sao Paulo, SP
Phone: 55/11/816-5733
Fax: 55/11/814-6688
Contact: Mr. Edmundo Klotz, President

ABRABE - Brazilian Beverage Association
Av. 9 de Julho, 5017 - 1 floor
01407-903 Sao Paulo, SP
Phone: 55/11/883-6144
Fax: 55/11/3064-6381
Contact: Mr. Fabrizio Fasano, President

Franchising

ABF - Brazilian Franchising Association
Alameda Irae 276 - Moema
04075-000 Sao Paulo, SP
Phone.: 55/11/5051-9496
Fax.: 55/11/5051-5590
Contact: Mr. Ricardo Young, President

Furniture

ABIMOVEL – Brazilian Furniture Industry Association
Av. Brigadeiro Faria Lima, 1234 – 16º andar, sala 161
01451-001 São Paulo, SP
Phone: 55/11/211-2564
Fax: 55/11/814-3227
www.doimovel.org.br
Contact: Nestor Bergamo, President

Internet

ABRANET – Brazilian Association of Internet Service Providers
Associação Brasileira dos Provedores de Acesso à Internet
Avenida Paulista, 1313, 10º andar, cj. 1050
01311-923 São Paulo, SP
Phone: 55/11/285-3866
Contact: Mr. Antônio Tavares, President
www.abranet.org.br

ANATEL – National Telecommunications Agency (Regulatory)
Agência Nacional de Telecomunicações
SAS Quadra 06, Bloco H, 3º andar
70313-900 Brasília, DF
Phone: 0800 33-2001
Contact: Mr. Renato Guerreiro, President

ABINEE – Brazilian Association of Electrical and Electronics Industry Association
Av. Paulista, 1313, 7o andar, conj. 703
01311-923 São Paulo, SP

Phone: 55/11/251-1577
Fax: 55/11/285-0607
Contact: Mr. Benjamin Funari Neto, President
www.abinee.org.br

Machine Manufacturers

Associacao Brasileira da Industria de Maquinas e Equipamentos - ABIMAQ
Sindicato Nacional da Industria de Maquinas - SINDIMAQ
Av. Jabaquara 2925
04045-902 Sao Paulo, SP, Brazil
Phone: 55/11/5582-6377
Fax: 55/11/5582-6312
Contact: Maria Cecilia Cortez, Coordinator of the National Department of Plastics Production Machinery
ABIMAQ/SINDIMAQ is the Brazilian Association of Machine and Equipment Manufacturers

Metallurgy

ABM - Brazilian Association of Metallurgy and Materials
Rua Antonio Comparato, 218
04605-030 Sao Paulo, SP
Phone: 55/11/536-4333
Fax: 55/11/240-4273
Contact: Mr. Antonio Jose Polanczyk, President

Oil & Gasfield Equipment

ABRAPET - Brazilian Association of Oil Drillers
Avenida Rio Branco, 156 room 1118/1119
20043-900 Rio de Janeiro, RJ
Phone: 55/21/240 7062
Fax: 55/21/283-1542
Contact: Mr. José Eduardo Frascá Poyares Jardim, President

ANFEP - Brazilian Association of Petroleum Equipment Manufacturers.
Rua Alcindo Guanabara, 24 s/1705
20031-130 Rio de Janeiro, RJ
Phone.: 55/21/240 4286
Fax.: 55/21/220 2923
Contact: Mr. Ralph Lima Terra, Director.

FENAGAS - Brazilian Federation of Liquefied Petroleum Gas Wholesalers and Truckers.
Rua Eng. Guilherme Cristiano Frender, 1190

03477-000 Sao Paulo, SP
Phone/Fax.: 55/11/910 2707
Contact: Mr. Jorge Lúcio da Silva, Executive Secretary.

Perfume and Cosmetic Manufacturers

IBP - Brazilian Petroleum Institute.
Avenida Almirante Barroso 52, 26o. floor
20031-000 Rio de Janeiro, RJ
Phone.: 55/21/532 1610
Fax.: 55/21/220 1596
Contact: Mr. Alvaro Teixeira, Secretary.
Perfume and Cosmetic Manufacturers

SIPATESP - Brazilian Association of Cosmetics Manufacturers
Av. Paulista, 1313 / 9th floor - conj. 901
01311-923 Sao Paulo, SP
Phone: 55/11/251-1999
Fax: 55/11/287-9207
Contact: Mr. Edson Aleixo de Oliveira, Director

ADIPEC - Brazilian Association of Perfume and Cosmetics Importers.
Rua Tabapuã, 649 conj. 74
04533-012 Sao Paulo, SP
Phone: 55/11/822-4618
Fax: 55/11/548-2188
Contact: Mr. Sergio Hausmann do Nascimento, President

Software

ABES - Brazilian Association of Software Companies
Av. Brig. Faria Lima, 1766 - Cj. 33/34 - 3 floor
01452-001 Sao Paulo, SP
Phone: 55/11/815-1260; 55/11/815-9563
Fax: 55/11/815-8777
Contact: Mr. Carlos Alberto Limas Sacco, President

ASSESPRO - Brazilian Association of Data Processing Companies
R. Teodoro Sampaio 417, 3 floor-cj 33
05405-000 Sao Paulo, SP
Phone: 55/11/282-8182
Fax: 55/11/3064-4026
Contact: Mr. Alberto Custodio, President

EAN/Brasil - Brazilian Association of Commercial Automation.

Avenida Paulista, 2644 - 10 floor
01310-934 Sao Paulo, SP
Phone: 55/11/259-3444
Fax: 55/11/231-2808
Contact: Mr. Hélio Camargo Mendes, Electronic Data Interchange Specialist

Sporting Goods and Recreational Equipment

ABIAE – Brazilian Association of Sporting Goods Industry
Rua Verbo Divino, 1661, 3º andar
04719-002 São Paulo, SP
Phone: 55/11/5185-9400
Fax: 55/11/5185-9411
Contact: Mr. Roberto Estefano, President

ABRADIBI – Association of Brazilian Importers of Bicycle Parts and Accessories
Av. São Luiz, 50, 1º andar
Phone: 55/11/231-2425
Fax: 55/11/259-0608
Contact: Ms. Ana Lia Castro, Executive Director

ABRAVEST – Brazilian Apparel Association
Rua Bastos Pereira, 250
04507-000 São Paulo, SP
Phone: 55/11/3887-4500
Fax: 55/11/3885-5638
Contact: Mr. Robert Chadad, President

ANAPP – National Association of Manufactures, Constructors of Swimming Polls Parts and Related Accessories
Av. Adolfo Pinheiro, 2058, 5º andar
04734-003 São Paulo, SP
Phone/Fax: 55/11/523-8688
Email: anapp.sp@uol.com.br
Contact: Mr. Kaumer D. Rodrigues, Superintendent

Steel industry

IBS - Brazilian Steel Institute
Av. Rio Branco, 181 - 28 Floor
20040-007 Rio de Janeiro, RJ
Phone: 55/21/544-3255
Fax: 55/21/262-2234
Contact: Mr. Wilson Nelio Brumer, President

Telecommunications

TELECOM - Brazilian Association of Telecommunications
Av. Pres. Vargas, 633 / 920
CEP 20071-004 Rio de Janeiro, RJ
Phone: 55/21/221-1236
Fax: 55/21/221-1132
Contact: Mr. Salomão Wajnberg, President

TELEBRASIL - Brazilian Association of Telecommunications
Av. Pasteur, 383 - Urca
22290-240 Rio de Janeiro, RJ
Phone: 55/21/295-4432
Fax: 55/21/542-4092
Contact: Mr. João Carlos Pinheiro da Fonseca, Editor

TELEBRAS - Brazilian Telecommunications Holding Company
SAS - Qda. 06 Bl. E Ed. Sede, 10. floor
70313-900 Brasilia, DF
Phone: 55/61/215-2121
Fax: 55/61/215-2232

ABERIMEST – Brazilian Association of Telecom Companies and Professionals
Associação Brasileira das Empresas e Profissionais das Telecomunicações
Rua Brigadeiro Galvão, 923
01151-000 São Paulo, SP
Phone: 55/11/825-6533
Fax: 55/11/825-6460
Contact: Mr. Kleber Rezende Castilho, Director
www.aberimest.org.br
aberimest@aberimest.org.br

ABEPREST – Brazilian Association of Telecommunication Service Providers
Associação Brasileira de Empresas Prestadoras de Serviços em Telecomunicações
Av. Paulista, 2073, Conj. Nacional Horsa I, 21º andar, sala 2116
01311-940 São Paulo, SP
Phone: 55/11/251-3899
Fax: 55/11/288-2249
Contact: Mr. Wagner Luiz Aére
www.abeprest.org.br
abeprest@prestonet.com.br

ABRAFORTE – Brazilian Association of Telecommunication Multi-service Net Provider
Associação Brasileira dos Fornecedores de Redes Multiserviços em Telecomunicação
Av. Das Nações Unidas, 12551, 24o andar
04578-903 São Paulo, SP

Phone: 55/11/3043-8832
Fax: 55/11/3043-8834
Contact: Mr. Antonio Luiz Barreto, Director
Abraforte@abraforte.org.br

TIA – Telecommunications Industry Association
TEC-LA
Rua Estados Unidos, 1812
01427-002 São Paulo, SP
Phone: 55/11/3064-9342
Fax: 55/11/852-4866
Contact: Mr. Luiz C. M. Bonilha
www.tiaonline.org
lbonilha@tia.ele.org

ANATEL – National Telecommunications Agency (Regulatory)
Agencia Nacional de Telecomunicações
SAS Quadra 06, Bloco H, 3o andar
70313-900 Brasília, DF
Phone: 0800-33 2001
Contact: Mr. Renato Guerreiro, President

Textile and Yarn Industry

SINDITEXTIL - Syndicate of Textile and Yarn manufacturers of the State of Sao Paulo
Rua Marques de Itu, 968
01223 Sao Paulo, SP
Phone: 55/11/66-0101
Telex: 11-24187
Contact: Luiz Americo Medeiros, President

Tourism

ABAV - Brazilian Association of Travel Agents
Av. Sao Luiz, 165 - 1 floor
01046-001 Sao Paulo, SP
Phone.: 55/11/231-3077
Fax.: 55/11/259-8327
Contact: Mr. Goianci Alves Guimaraes, President

BRAZTOA-COBRAT - Brazilian Tour Operators Association
Rua Marconi, 34 - 1 floor
01047-000 Sao Paulo, SP
Phone.: 55/11/259-9500
Fax.: 55/11/255-1226

Contact: Mr. Antonio Aluizio, President.

Transportation

FEPASA - Ferrovia Paulista S.A.
Rua Maua, 51 1 floor, Room 135
01028-900 Sao Paulo, SP
Phone: 55/11/220-9441 55/11/223-6236
Fax: 55/11/223-0227
Contact: Mr. Sergio Cunha, Assist. to the President

Security and Safety

ANIMASEG (National Association of Manufactures of Safety Products
Rua Tapajós, 627
Sao Paulo, SP
04153-001
Phone: 55/11/5581.5566
www.animaseg.com.br
Email: animaseg@uninet.com.br
Contact: Raul Casanova Jr., Executive Secretary

ABRASEG - Brazilian Association of Agents, Retailers and Distributors of Safety Products
Address is the same as the above (ANIMASEG)

Plastics

Instituto Nacional do Plástico
Avenida Paulista, 1313 / room 702
01311-923 - São Paulo - SP
Phone: 55/11/251-2926 - 251-3599
Fax: 55/11/289-6287
Contact: Mr. Candido Souza Lomba Neto, Director
Instituto Nacional do Plastico- National Plastics Institute is an association of plastics, resins and plastics machines manufacturers, that provides training courses.

ABIPLAST - Associação Brasileira da Indústria de Plástico
Avenida Paulista, 2439 / 8º floor
01311-936 - São Paulo - SP
Phone: 55/11/3060-9688
Fax:L 55/11/3060-9686
Contact: Mr. Merheg Cachum, President, Sr. Luciano Abramo, General Secretary
ABIPLAST - Brazilian Association of Plastics is the Brazilian Association of the Plastics Products Manufacturers

AMERICAN CHAMBERS OF COMMERCE

AMERICAN CHAMBER OF COMMERCE SAO PAULO
Rua da Paz 1431
04713-001 Sao Paulo, SP
Phone.: 55/11/5180-3804
Fax.: 55/11/5180-3777
E-mail: amhost@amcham.com.br.

AMERICAN CHAMBER OF COMMERCE RIO DE JANEIRO
Praça Pio X 15, 5 floor
20040-020 Rio de Janeiro, RJ
Phone.: 55/21/203-2477
Fax: 55/21/263-4477
E-mail: achmbr@amchamrio.com.br.

AMERICAN CHAMBER OF COMMERCE SALVADOR
Rua Toquato Bahia, 69 room 705
Edificio Raimundo Magalhaes
40015-110 - Salvador, BA
Phone: 55/71/242-0077
Fax.: 55/71/243-9986

AMERICAN CHAMBER OF COMMERCE MINAS GERAIS
Rua Paraíba, 330/1302
30130-140 Belo Horizonte, MG
Phone: 55/31/273-7347
Fax 55/31/273-4656
E-mail: CompuServe 75332,3673
Internet: amchambr@embratel.net.br
AmchamNet (011) 524-5017 (8N1) 24hs

AMERICAN CHAMBER OF COMMERCE BRASÍLIA
Ed. Corporate Financial Center
SCN Qd. 02, Bloco A, 5º andar, sala 504
70712-9000 Brasília, DF
Phone: 55/61/329-6064
Fax: 55/61/329-6199

MARKET RESEARCH COMPANIES

Sao Paulo

Arthur D. Little S/C Ltda.
Av. Brig. Faria Lima, 1478, 2o. floor
01451-913 Sao Paulo, SP
Phone: 55/11/3039-1000
Fax: 55/11/815-7540
Contact: Mr. Moyses Gedanke, Vice-President.

Barros Ribeiro Planejamento, Consult/Rep. Ltda.
Rua Dr. João Climaco Pereira, 46
04532-070 Sao Paulo, SP
Phone: 55/11/820-7422
Fax: 55/11/820-0720
Contact: Mr. Samuel Ribeiro, Director.

Bichuetti Consult. Empresarial S/C Ltda.
Av. Brig. Faria Lima, 1541 - 6B
01451-000 Sao Paulo, SP
Phone: 55/11/813-9744
Fax: 55/11/816-0908
Contact: Mr. Jose Luiz Bichuetti, Director.

Booz-Allen & Hamilton do Brasil Consultores Ltda.
Rua Gomes de Carvalho, 1765 - 5 floor
04547-200 Sao Paulo, SP
Phone: 55/11/820-1900
Fax: 55/11/820-6750
Contact: Mr. Oscar P. Bernardes, President.

Datamark Consultores S/C Ltda.
Av. Brig. Faria Lima, 1238 - 3 floor - cj. 31
01452-000 Sao Paulo, SP
Phone: 55/11/814-7355
Fax: 55/11/814-8890
Contact: Mr. William Graham Wallis, President.

Lindsey Consultores S/C Ltda.
Rua Bela Cintra, 1932
01415-002 Sao Paulo, SP
Phone: 55/11/280-8122
Fax: 55/11/853-7787
Contact: Mr. Richard Lindsey, Director.

M&L Magnus Landmann Consultores Empresariais.
Av. Brigadeiro Faria Lima, 1544 - 4 floor - cj. 41
01452-001 Sao Paulo, SP

Phone: 55/11/816-3144
Fax: 55/11/816-7864
Contact: Mr. Jorge F. Landmann, President.

Marketing Service Associates do Brasil S/C.
R. Prof. Luciano Venere Decourt, 33
04648-050 Sao Paulo, SP
Phone/Fax: 55/11/246-2322

MV Marketing and Consulting Services.
Rua Morgado de Mateus 314, conj. 32
04015-050 Sao Paulo, SP
Phone/Fax: 55/11/549 9430
Contact: Ms. Magda Völker, Director.

S. Bekin & Consultores Associados
Rua Estela, 265 casa 11
04011-001 Sao Paulo, SP
Phone: 55/11/572-3112
Fax: 55/11/572-3112
Contact: Prof. Saul F. Bekin, Director.

Simonsen Associados S/C Ltda.
Av. 9 de Julho, 5017 - 12 floor
01407-200 Sao Paulo, SP
Phone: 55/11/853-4733
Fax: 55/11/883-4958
Contact: Mr. Harry Simonsen, Jr. President.

World Trade Center.
Av. das Nações Unidas, 12551
04578-903 Sao Paulo, SP
Phone: 55/11/893-7100
Fax: 55/11/893-7101
Contact: Mr. José Candido Senna.

Brasilia, Distrito Federal

Alexandre Barros, Ph.D.
Early Warning
Risk Management & Government Relations
C.P. 09-2941
71609 Brasília - DF
SQS 315 Bloco A, Apt. 304
70384 Brasília - DF

Tel. 55/61/245-4795
Fax: 55/61/245-4350

Sérgio A. A. Moura
ETROS Consultoria Ltda.
Centro Empresarial Sul
SCN Quadra D, Lote 2, Room 1007
70710-500 Brasília, DF
Tel: 55/61/225-5509
Cel. 55/61/981-1206
Fax: 55/61/225-5849

Fábio de Oliveira Pavan
Pavan e Associados S/C Ltda.
SRTS - Edif. Assis Chateaubriand, Room 403
70340-906 Brasília, DF
Tel: 55/61/224-7727
Fax: 55/61/224-7843

Minas Gerais

BRANDT Meio Ambiente
Av. Uruguai 13, 8/9o. floor – Bairro Sion
30310-300 Belo Horizonte - MG - Brazil
Phone: 55/31/281-2258
Fax: 55/31/225-6929
Contact: Mr. André de Souza or Mr. Wilfred Brandt, President
* Mining and environmental sectors, only.

Mr. Celus Resende
Rua Espirito Santo, 2284 - 9. floor
30160-032 Belo Horizonte - MG - Brazil
Phone: 55/31/337-8681
Fax: 55/31/337-2290
* Energy generation and heavy construction sectors, only.

Mr. Edimar Westin
Rua Sergipe 457 - apt. 501
30130-170 Belo Horizonte - MG - Brazil
Phone: 55/31/273-9295
Fax:55/31/271-5866
* Mining sector, only.

EPC Engenharia Projeto Consultoria
Rua da Bahia, 504 - 10/13o. floor

30160-010 Belo Horizonte - MG - Brazil
Phone: 55/31/271-1500
Fax: 55/31/271-4299
Contact: Mrs. Maria V. Schettino - Mr. Nunziato Schettino
* Mining sector, only.

Mr. Ernest Rudolf Herbig
Av. do Contorno, 9215 room 402
30110-060 Belo Horizonte - MG - Brazil
Phone: 55/31/332-5454 (residential)
Fax/phone: 55/31/291-9152
* Mining sector, only.

EXIMTRADE Traders & Consultores Int. Ltda
Rua Desembargador Cerqueira Leite, 65 Room 302
30550-210 Belo Horizonte - MG - Brazil
Phone: 55/31/312-2593
Fax: 55/31/374-1590
Contact: Mr. Silvino Silva
* Steel and foundry sectors, only.

INTERNATIONAL TRADE AND DEVELOPMENT
C.P. 3001 Savassi
30112-970 Belo Horizonte - MG - Brazil
Phone: 55/31/581-1552
Fax: 55/31/581-1553
Cel: 00/55/31/982-4320
E-mail: krementz@br.homeshopping.com.br
Contact: Mr. Richard Krementz, III

INTERNEX Comércio Internacional
Rua Rodrigues Caldas, 726 - Room 1204
30190-120 Belo Horizonte - MG - Brazil
Phone/Fax: 55/31/337-9585
Contact: Mr. Cláudio Ferreira/Mr. Luiz Alcântara

STRATEGOS Consultoria e Representações Ltda.
Rua Ouro Fino, 395 - Room 301
30310-110 Belo Horizonte - MG Brazil
Phone: 55/31/227-2047/227-2575
Fax: 55/31/227-8008
Contact: Mr. Celedónio Santos
* Chemical and plastic sectors, only.

PHENAX Assessoria Consultoria Imp. Exp. Ltda
Rua Santa Rita Durão, 444 - 7. floor

30140-110 Belo Horizonte - MG - Brazil
Phone: 55/31/227-6064
Fax: 55/31/227-7079
Contact: Mr. Evandro Santos/Mr. Nelson Macaroun
* Energy sector.

POLLO Comércio Exterior
Rua Guajajaras 977 conj. 506
30180-100 Belo Horizonte - MG - Brazil
Phone: 55/31/22204161/4855
Fax: 55/31/222-4432
Cel: 55/31/981-1419
* Consumer goods.

Egepar Engenharia Ltda
Av. Cristovao Colombo, 550 - Room 901
30140-150 Belo Horizonte - MG - Brazil
Phone/Fax: 55/31/261-6321
Contact: Mr. Carlos Passaglia
* Especially mining and chemical sectors.

Rio de Janeiro

Maxima Consultoria
Rua Rodrigo Silva, 26, 21 floor
20011-040 Rio de Janeiro, RJ
Tel: 55-21-221-5339
Fax: 55-21-252-8459
Contact: Paulo Sergio Nascimento, Director

Ernst & Young
Av. Rio Branco, 128, 15
20042-900 Rio de Janeiro
Tel: 55-21-550-7070
Fax: 55-21-252-2746
Contact: Carlos Alberto Miranda, Financial Advisor

Makenzie Hill
Rua da Assembleia 92, 4 floor
20011-000 Rio de Janeiro - RJ
Phone: 55/21/507-4434
Fax: 55/21/232-9652
Contact: Marcus de Paula, Advisor
*Real State and International Consulting

BFB - Bhering, Ferreira & Bleuler
Rua Pedro Lessa, 35, room 1010
20.030-030 Rio de Janeiro - RJ
Phone: (55 21) 262-3208
Fax: (55 21) 533-2993
Contact: Agostinho Ferreira, Advisor
*Electricity, Oil, Gas, Pipeline Energy

Arthur Andersen
Predio Botafogo 300, 7o. floor
22250-040 Rio de Janeiro, RJ
Phone: (55 21) 559-4141
Fax: (55 21) 552-3253
*Financing consulting

Country Commercial Banks

Most banks in Brazil operate as multiple banks, accumulating the functions of commercial and investment banks and are also active in the capital market. The ten largest Brazilian-owned private multiple banks according to deposit values are:

Banco Brasileiro de Descontos - BRADESCO - Sao Paulo;
Banco Itau - Sao Paulo;
União de Bancos Brasileiros - UNIBANCO - Sao Paulo;
Banco Bamerindus - Parana;
Banco de Crédito Nacional - BCN - Sao Paulo;
Banco Safra - Sao Paulo;
Banco Mercantil de Sao Paulo;
Banco América do Sul - Sao Paulo;
Banco Bandeirantes - Sao Paulo.

Banks in Brazil Which Operate with Eximbank Credit Lines

Unibanco S.A.
Av. Eusebio Matoso 891 9o. Floor
05423-901 Sao Paulo, SP
Contact: Silvia Nucci Campedelli, Superintendent - Global Financial Institution
Phone: 55/11/ 867-4321
Fax: 55/11/ 814-0528

Banco HSBC Bamerindus S.A.
Rua Doutor Seidel, 425 / 2 floor
05315 - 000 Sao Paulo, SP
Contacts: Ralph Summer, Director

Phone: 55/11/ 839-3180/5504-4349
Fax: 55/11/ 839-3483

Banco Industrial e Comercial S.A. - BICBANCO
Rua Boa Vista 192 / 1 floor
01014-030 Sao Paulo, SP
Contact: Paulo Celso Del Ciampo, Director
Maria Fernanda Giacchetti, Financial Manager
Phone: 55/11/ 237-6834
Fax: 55/11/3107-5290

Banco Credibanco S.A.
Av. Paulista 1294 / 21 floor
01310-100 Sao Paulo, SP
Contacts: Antonio Veriano de Assis, Director
Phone: 55/11/281-4890
Fax: 55/11/285-3431

Banco Bradesco S.A.
Av. Ipiranga, 282 / 10 floor
01046-920 Sao Paulo, SP
Contacts: Edersio Depaula e Silva, Manager
Phone: 55/11/235-9334
Fax: 55/11/256-8742/235-9161

Banco America do Sul
Av. Brigadeiro Luis Antonio, 2020 / 8 floor
01318-911 Sao Paulo, SP
Contacts: Paulino Aoto, Director
Phone: 55/11/281-1504
Fax: 55/11/253-1955

Banco BMC
Av. Nacoes Unidas, 12995 / 23 floor
04578-000 Sao Paulo, SP
Contact: Germano Alves Cruz, Director
Phone: 55/11/5503 -1807
Fax: 55/11/ 5503 -7746

Banco BCN
Av. Boa Vista, 208 / 6 floor
01014-904 Sao Paulo, SP
Contact: Ester Basilie, Director
Phone: 55/11/ 244 -1891
Fax: 55/11/ 244 - 1814

Financial Companies and consultant that facilitate access to Eximbank Financing

NetPlan Corporate Finance Ltda.
Rua Joaquin Floriano, 871 / 9 floor
04534-013 Sao Paulo, SP
Contact: Ronald Leal, President
Phone: 55/11/ 829-8218
Fax: 55/11/ 829-8218
(Agent of The First bank of New England in Brazil)

Guardian SC Ltda.
Av. Brigadeiro Faria Lima, 1651 conj. 504/505
01451-001 Sao Paulo, SP
Contact: Joao Carlos Saldanha da Gama, Consult
Phone: 55/11/ 814-8799
Fax: 55/11/ 815-5977
(Consultant -Facilitates access to Eximbank Financing)

Banco Santos
Av. Paulista, 1842 / 4 floor
01310-200 Sao Paulo, SP
Contact: Jorge A. Vajda
Phone: 55/11/ 269-6141
Fax: 55/11/ 283-2173
(Facilitate access to Eximbank financing)

M.T. Brazil Corp. Finance
Al. Joaquim Eugenio de Lima 680 / 4 floor
01403-901 Sao Paulo, SP
Contact: Newton Santana, Director
Phone: 55/11/ 289-8100
Fax: 55/11/ 289-8100
(Agent of the First Bank of New England in Brazil)

U.S. Mission In Brazil

Brasília - BSB:

Tel:	55/61/321-7272
Ambassador	Anthony Harrington
Deputy Chief of Mission	Cristobal Orozco
Economic Counselor	Brian Stickney
Deputy Senior Commercial Officer	Keith Curtis
Agricultural Counselor	Finn Rudd

Homepage: http://www.american-embassy.org.br

Sao Paulo - SP:

Tel:	55/11/881-6511
Consul/General	Carmen Martinez
Consul/Economic Affair	Marc Turner
Agricultural Officer	Mark Lower
Tel:	55/11/853-2811
Senior Commercial Officer	Richard Lenahan
Principal/Post Commercial Officer	Paulo Mendes
Commercial Officer	Brian Brisson

Rio de Janeiro - RJ:

Tel:	55/21/292-7117
Consul General	Adrienne O’Neal
Principal Commercial Officer	Judith Henderson
Consul/Economic Affair	Carl Schonander

Belo Horizonte - BH:

Tel:	55/31/213-1571
Principal Commercial Officer	Sean Kelley

List of Attorneys in Brazil (*[1]) (*[2])

Minas Gerais

Ferreira & Chagas
Advogados Associados
Attn.: Mr. Marcus Gontijo
Rua Aymorés, 2480 room 601
30140-072 Belo Horizonte MG

[1] All of the law firms mentioned on this list are large firms, by Brazilian standards, and should be able to provide legal assistance in most if not all aspects of the law.

[2] For a more extensive and detailed list of law firms in Brazil, U.S. companies are encouraged to consult the South American section of the "Martindale-Hubbel" legal directory. The "Martindale-Hubbel" is available in most if not all medium to large law firms in the U.S., and in many large law firms in Brazil. This legal directory may also be found at any public library in the United States.

Tel.: (55/31) 292-2638
Fax.: (55/31) 291-7752

A&A Advocacia & Administração
Attn.: Mr. Randolfo Diniz Neto
Rua Alvares Cabral 1833, room 503
30170-001 Belo Horizonte MG
Tel.: 55/31/291-7910
Fax: 55/31/291-8013

Dias Corrêa & Vaz
Attn.: Mrs. Isabel Vaz
Rua Ceará, 1431 1o. floor – Bairro dos Funcionarios
30150-311 Belo Horizonte MG
Tel.: 55/31/273-1234
Fax.: 55/31/273-1222

Astolpho, Silva, Marafon e Orlando
Advogados Associados S/C
Attn.: Mr. João Dácio Rolim
Rua Matias Cardoso, 63 8o. floor
30170-000 Belo Horizonte MG
Tel.: (55/31) 335-0242
Fax.: (55/31) 335-1776

Grebler, Pinheiro, Mourão & Raso - Advogados
Attn.: Mr. Antônio Guimarães Pinheiro
Av. Afonso Pena, 3130 10o. floor
30130-009 Belo Horizonte MG
Tel.: (55/31) 223-6111
Fax.: (55/31) 225-2529

Azevedo Sette Advogados Sociedade Civil
Attn.: Mr. Ricardo Azevedo Sette
Av. Afonso Pena, 3111 room 706
30130-008 Belo Horizonte MG
Tel.: (55/31) 223-2866
Fax.: (55/31) 227-6170

LF&A - Luiz de França e Associados
Advogados Marcas e Patentes
Attn.: Mr. José Luiz de França
Rua São Paulo, 1817
30170-000 Belo Horizonte MG
Tel.: (55/31) 335-8244

SÃO PAULO

AMARAL GURGEL & FREIRE - ADVOGADOS
Sabine Ingrid Schuttoff
Vladimir Lisso
Av. Cidade Jardim, 377 - 5º floor
01453-900 - São Paulo - S.P.
Tel: 55/11/852-9633
Fax: 55/11/64-2171

ARAUJO E POLICASTRO E PORTUGAL ADVOGADOS
Camila Araújo
Av. Brigadeiro Faria Lima, 2894 - 11º floor
01452-002 - São Paulo - S.P.
Tel: 55/11/820-2566
Fax: 55/11/820-2120

BEKIN, SANTOS, REMOR, FURRIELA E GENNARI
Manoel J. Pereira dos Santos
Fernando Nabais da Furriela
Av. Dr. Cardoso de Mello, 1750 - 7º floor
04548-005 - São Paulo - S.P.
Tel: 55/11/829-6688/820-9655
Fax: 55/11/829-3743

DANNEMAN-SIEMSEN-BIGLER & IPANEMA MOREIRA
Rodolfo Humberto Martinez Jr.
Av. Indianópolis, 2433
04063-005 - São Paulo - S.P.
Tel: 55/11/275-9677
Fax: 55/11/577-3915

ESCRITORIO VILLEMOR AMARAL
Attila de Souza Leão Andrade Jr.
Av. Nove de Julho, 4413
01407-100 - São Paulo - S.P.
Tel: 55/11/887-0977
Fax: 55/11/887-0217

FISCHER E FORSTER - ADVOGADOS
Georges Fischer
Av. Cidade Jardim, 377 - S/L – Jardim Europa
01453-900 - São Paulo - S.P.
Tel: 55/11/881-2100
Fax: 55/11/282-6629

MACHADO, MEYER, SENDACZ E OPICE ADVOGADOS
Antonio de Souza C. Meyer
Rua da Consolação, 247 - 8º floor
01301-903 - Sao Paulo - S.P.
Tel: 55/11/3150-7000
Fax: 55/11/257-9137

MONSEN, LEONARDOS E CIA
Flávio S. Leonardos
Av. Sao Gabriel, 495 - 5º floor
01435-001 - Sao Paulo - S.P.
Tel: 55/11/280-2646
Fax: 55/11/64-2855

PINHEIRO NETO ADVOGADOS
Fernando B. Pinheiro
Rua Boa Vista, 254 - 8º floor
01014-907 - Sao Paulo - S.P.
Tel: 55/11/237-8400
Fax: 55/11/237-8600

PINHEIRO, NUNES, ARNAUD, RAMAZZINNI & SCATAMBURLO
Emilio Scatamburlo
Rua José Bonifácio, 93 - 7º e 8º floors
01003-901 - Sao Paulo - S.P.
Tel: 55/11/37-4001
Fax: 55/11/34-8037

SUL AMERICA MARCAS E PATENTES S/C LTDA.
Luís Armando Lippi Braga
Rua Luiz Goes 1296
04043-150 - São Paulo - S.P.
Tel: 55/11/5584-0933
Fax: 55/11/5581-3858

TOZZINI E FREIRE ADVOGADOS
Syllas Tozzini
Rua Libero Badaró, 293 - 20º floor
01095-900 - Sao Paulo - S.P.
Tel: 55/11/232-2100
Fax: 55/11/232-3100

SAO PAULO - OTHER REGIONS

TAVOLARO E TAVOLARO ADVOGADOS
Agostinho Toffoli Tavolaro
Rua 14 de Dezembro, 10
13015-130 - Campinas - S.P.
Tel: 55/192/231-7933
Fax: 55/192/231-7092

Rio de Janeiro

CUSTÓDIO DE ALMEIDA & CIA.
Rua Álvaro Alvim 21, 19º floor
20.031-010 Rio de Janeiro, RJ
Phone: (55 21) 240-2341
Telex: (55 21) 33557 AGTX BR and
FAX: (55 21) 220-0312, 240-2491

GARCIA & KEENER ADVOGADOS
Avenida Rio Branco 99, 15º floor
20.040-004 Rio de Janeiro, RJ
Phone (55 21) 203-2466
Telex: (55 21) 22664 JGUK BR
FAX: (55-21) 233-3184

ZAIRO LARA FILHO & ADVOGADOS ASSOCIADOS
Rua México 119, room 909
20.017-900 Rio de Janeiro, RJ
Phone (55 21) 220-8019
FAX (55-21) 262-3075

GAMA, OSÓRIO , MAYA E SABOYA - ADVOGADOS
Praça XV de Novembro, 34 - 7º floor
20.010-010 Rio de Janeiro, RJ
Phone: (55 21) 224-0561
FAX: (55-21) 231-0905

U.S. GOVERNMENT AGENCIES

All those telephone numbers without area codes are Washington DC (202)

AGRICULTURE (USDA)
Patricia Sheikh, Trade Policy
Tel: (202) 720-6887
Charles Alexander, Trade Promotion
Tel: (202) 690-0159

Steve Hammond, U.S. Import Policies and Program Division
Tel: (202) 720-2916

AID
Babette Prevot
Tel: (202) 647-4359

BXA
Bob Dunn
Tel: (202) 482-3984
Fax: (202) 482-5650

CENSUS/Population
John Reed, Demographer
Tel: (202) 457-1358
Trade Figures, Foreign Trade-L.A. Countries
Tel:(301) 457-3041

COMMERCE (USCS)
Dorothy L. Lutter(USCS), Regional Director
Tel: (202) 482-2736

COMMERCE (ITA)
John Anderson, Director of the Southern Cone Divison
Tel: (202) 482-1743
Carlos Cavagno, Brazil Desk
Tel: (202)482-3872
Paulo Mendes, Brazil Desk
Tel: (202) 482-3872

COMMERCE (BEA)
Ray Malaloni, Outward Investment
Tel: (202) 606-9865
Greg FouchInward, Investment
Tel: (202) 606-9831

COMMERCE (Import Administration)
Stephen McCollough, Latin American Industry Specialist
Tel: (202) 482-4202/5834
Brian Albright, AD/CVDs
Tel: (202) 482-3762

CUSTOMS
Douglas M. Browning, International Affairs
Tel: (202) 927-0440
Gregory Saxton, U.S. Customs Officer

Tel: (202) 927-1771

DEFENSE
Lorraine McMillan, Brazil Desk
Tel:703-6952520

ENERGY
Moustafa Soliman, Latin America
Tel: (202) 586-5904

EPA
Carmeryl Hill-Macon, Latin America Program
Tel: (202) 260-6009

EXIMBANK
Marion Hinchman, Senior Loan Officer
Tel: (202) 565-3410
Deborah Moranese, Loan Officer – Brazil
Tel: (202) 565-3416
John Beckham, Promotion Officer
Tel: (202) 565-3913

HHS-FDA
Marilyn Veek, International Affairs/Americas
Tel: 301-827-4480

INTERIOR (Minerals)
Alfredo Gurmendi Latin America
Tel: 703-648-7745

INTERNET ASSOC.
Tel: 201-928-4008

LABOR
Suda Haley, Officer; Foreign Affairs
Tel: 219-6257

MARINE FISHERIES
Dennis Weidner, Latin America
Tel: 301-713-2286
Sennen Salapare, Latin America
Tel: 301-713-2383
NIST
Joanne Overman, NCSCI/NIST
Tel: 301-975-4037
Mary Saunders, Brazil

Tel: 301-975-2396
Raymond Kammer, Deputy Director
Tel: 301-975-4119
Sharrill Dittmann, Chief, Calibration Program
Dr. Stanley Warshaw, Policy Advisor
Tel: 301-482-3022/5620

NOAA
Chuck Woldridge, NESDIS
Tel: 301-457-5214

NTDB
Hotline: 800-STAT-USA
Trade Information Center Hotline: 800-USA-TRAD

USGS
Floyd Grey
Tel: 602-670-5582 602- 670-5113

NTIA
Nancy Eskenazi, Brazil
Tel: (202) 482-1864 482-1865

OPIC
Lila Granda, Insurance
Tel: (202) 336-8664, fax: (202) 408-5142
Bruce Camerun, Business Development
Tel: (202) 336.8745
PTO
Richard Wilder, Brazil
Tel: 703-305-9300

STATE/ARA
Donald Planty, Director, Brazil and Southern Cone
Tel: 647-6541
Eric Luftman,
Economic Officer
647-2326 736-7481
Diana Page, Political Officer
Tel: 647-0443

STATE/ECP
Dennis Finnerty, Regional Organizations
Tel: 647-2345

TDA

Albert Angulo, Regional Director, Latin America
Tel: 703-875-4357
Nathan Young, Program Officer
Tel: 703-875-4357

TRANSPORTATION
Gwen Baker, Latin America
Tel: 366-9521 366-7417

TREASURY
Anthony Marcus, Brazil Desk
Tel: 622-1218

USIA
Michael Korff, Brazil Desk
Tel: 619-6835
Sarah Dupree, Senior Program Officer
Tel: 619-5245
Bruce Wharton

USTR
Peter Allgeier, Associate USTR
Tel: (202) 395-5190 395-3911
Karen Chopra, Director Southern Cone
Tel: 395-5190395-9675

2. INTERNATIONAL FINANCIAL INSTITUTIONS, Washington, D.C.*

World Bank (IBRD)	Gobind Nankami, Director	458-4641
Agriculture & Enviroment	Constance Bernard	458-5175
Country Operations	Dany Leipziger	473-8452
	Paul Meo	473-8452
	Jim Steve	473-1869
Infrastructure Division	Asis Faiz	473-0001
Inter-American Development Bank	Larry Harrington, U.S. Executive Director	623-1031
Int’l Monetary Fund (IMF)	Jose Fajgenbaum Division Chief, Brazil	623-8637
OAS	U.S. Mission to the OAS John Bowen	647-9482
SICED (Foreign Trade Database)	Robin A. King, Chief, Trade Unit	458-3659
	Miguel Rodrigues Mendonca	458-3181

APPENDIX F – MARKET RESEARCH

ISAs FY 2000

Sporting Goods	December, 1999	Patricia Marega
Computer Software	February,2000	Genard Burity
Electronic Security Equipment	March, 2000	Marina Konno
Oil & Gasfield Machinery	April, 2000	Etienne Kavassay
Drilling Equipment	April, 2000	Etienne Kavassay
Hotel and Restaurant Equipment	April, 2000	Ana Tereza Mendonça
Dental Equipment	April 2000	Clovis Lemes
Autoparts	May 2000	Teresa Wagner
Governized Steel Frames	May, 2000	Marina Konno
Printing and Graphic Machinery	June 2000	Igly Serafim
Mining Equipment	June 2000	Mauricio Vasconcelos
Electrical Power Distrib. Equipment	July,2000	Regina Cunha
Transportation	July 2000	Vacant
Irrigation Equipment	August 2000	Vania Resende
Textile Industry in Brazil	August 2000	Ebe Raso
E-Commerce/Internet Services	August 2000	Lynn Wong

ISAs FY 2001

Computer Software	March 2001	Genard Burity
Mining Industry Equipment	April 2001	Maurício Vasconcelos
Intelligent Buildings	April 2001	Marina Konno
Medical Devices Market in BR.	April 2001	Teresa Mendonça
Packing Machinery	May 2001	Igly Serafim
Pollution Control	June 2001	Teresa Wagner
Franchising in Brazil	June 2001	Ebe Raso
On-board Oil Platform Equip.	June 2001	Etienne Kvassay
The Furniture Ind. in Brazil	August 2001	Patricia Marega/Vania Resende
Water Resources	August 2001	Teresa Wagner
E-Comm. Development in Brazil	August 2001	Lynn Wong
Cable TV	August 2001	Vacant
Frontiers in Space in Brazil	August 2001	Vacant
Hotel Services	September 2001	Ruy Batista
Thermal Power Generation	October 2001	Regina Cunha

APPENDIX G – GUIDE TO COMMERCIAL SERVICES

UNITED STATES COMMERCIAL SERVICE IN BRAZIL

GUIDE TO COMMERCIAL SERVICES

The Brazilian market offers significant opportunities for U.S. exporters. The U.S. Commercial Service is on the ground in Brazil to assist your company in maximizing its export potential in this dynamic and diverse country. The first step is for you to contact the U.S. Export Assistance Center (EAC) nearest you to familiarize yourself with the U.S. Commercial Service's export promotion programs and to access important market reports. Contact information for the EACs and other key information on exporting are available by dialing 1-800-USA-TRADE.

The United States Commercial Service in Brazil (USCS/Brazil) offers a variety of products and services to facilitate U.S. exports, as outlined in this guide. USCS Brazil is also positioned to consider any legitimate request by a U.S. company for export assistance, negotiated on a fee or non-fee basis. CS Brazil hosts offices in the cities of Belo Horizonte, Brasilia, Porto Alegre, Rio de Janeiro and São Paulo. São Paulo is also the site of USCS/Brazil's Commercial Center; a facility where U.S. exporters and Brazilian importers can develop business supported by the very latest in "user-friendly" information technologies. All other offices offer similar support through institutional partners.

This Guide outlines the market research, trade contact, trade promotion and facilities support available to U.S. exporters seeking opportunities in the Brazil market. Also, for your convenience visit our web site: www.focusbrazil.org.br. Specific requests for these products/services or any other requests for export assistance should be addressed to USCS Brazil/Head Office at any of the addresses below:

U.S. Mailing Address:	Street Address:	Electronic Address:
Head Office / Brazil	Head Office / Brazil	Tel: 55 / 11/ 853-2811
U.S. Commercial Center	U.S. Commercial Center	Fax: 55 / 11/ 853-2744
AMCONGEN São Paulo	Rua Estados Unidos, 1812	Email: Sao.paulo.office.box
Unit 3502	01427-002 São Paulo, SP	@mail.doc.gov
APO AA 34030-3502	Brazil	Web:www.focusbrazil.org.br

USCS/BRAZIL PRODUCTS AND SERVICES

CS Brazil products and services can attend to your company's needs in exporting to Brazil from addressing basic market inquiries, to identifying a qualified local partner, to organizing a highly sophisticated trade promotion event. CS Brazil also offers high caliber facilities for U.S. companies to promote their product and meet with prospective Brazilian buyers.

These products and services are designed as progressive tools for use by your company in advancing into the market in the following categories: Market Intelligence, Trade Contacts, and Market Promotion.

I. MARKET INTELLIGENCE **–** CS Brazil can orient U.S. exporters regarding market opportunities ranging from the general business environment to company and product specific market entry plans.

Complementary Products: USCS/Brazil produces a considerable number of market research reports on Brazil, focusing on "best prospects". They are available at no cost to the U.S. exporter from U.S. Export Assistance Centers or from the CS Brazil Web Site: www.focusbrazil.org.br. These include:

- Country Commercial Guide (CCG): A comprehensive report on the general business environment in Brazil with an emphasis on market access, investment issues and general information on markets of opportunity.

- Industry Sector Analysis (ISAs): Detailed reports analyzing market opportunities for best sectors for U.S. exports in Brazil. ISAs contain market assessment and outlook supported by statistics; a review of competition and market shares; market access information; best sales prospects; and trade contacts.

- International Market Insights (IMIs): Reports on specific market opportunities and major projects giving background and guidance on how to take advantage of the opportunity.

Fee-Based Products: The following reports can be developed for an U.S. exporter upon request for a fee. These are business confidential products tailored to the U.S. Company's product/service whose final results are not available to the public.

- Market Profile Report: This report offers the U.S. exporter market information to evaluate the competitiveness of its product/service and its receptivity in the market in order to determine whether to further pursue market entry. The 4-6 page report highlights sector and product/service specific market outlook for the U.S. exporter in Brazil and includes interviews with a limited sampling of importers, distributors, manufacturers, and end-users regarding the U.S. company's product/service. Also, it includes information on product/service specific tariff and non-tariff barriers, as well as key information on current import volumes, leading importers of the product, product/service relevant trade shows, trade associations, and industry publications. Harmonized System number(s) must be provided. Available within 2-4 weeks of request. Fee: US$450

- Customized Market Analysis (CMA): A concise report generated upon request examining the competitiveness of a specific U.S. product or service in the Brazilian market. The report covers key marketing facts such as sales potential, comparable products and their prices, distribution channels, and qualified purchasers. This report is confidential and is available only to the requesting U.S. Company. Available within 60 days of request. Fee**:** US$5,100.

II. TRADE CONTACTS **–** CS Brazil offers a menu of options for the U.S. exporter to identify potential business partners that meet its qualifications, from basic lists to pre-screened and qualified companies. CS also offers important tools for active follow up with interested partners to assist in turning a contact into a business success.

- Silver Key List (SK)**:** A list of 10-20 specific contacts relevant to the U.S. company requested product/service. Includes contact information and a brief description of the company. The U.S. Company is responsible for any follow-up contact with Brazilian counterparts. Available within 5-10 days of request. Fee: US$150

- Virtual Gold Key: CS Brazil represents the U.S. company in formally presenting its product/service to Brazilian companies meeting the U.S. exporter's specifications (distributor, end user, licensee partner, etc) and company criteria. Presentations are made in the form of a telephone call, delivery of company literature with CS letter of introduction, and follow up telephone calls to solicit interest. If geographically viable, a CS representative visits the interested Brazilian company(ies) to ascertain their preparedness for the proposed business venture with the U.S. client. A detailed report is provided back to the U.S. exporter on all local companies contacted and their comments. For those interested Brazilian companies, detailed company profiles are also provided.

  U.S. companies using the Virtual Gold Key can also take advantage of the following services at no additional cost: translation of introduction letter into Portuguese; a one-hour U.S. initiated teleconference meeting arranged by CS between the U.S. company and prospective Brazilian partner(s) (professional interpreter costs extra if needed), in-country appointments arranged by CS based on Virtual Gold Key contacts established. Also, for an additional cost-recovery based fee, CS Brazil can arrange a videoconference meeting between the U.S. and Brazilian companies using a private studio (average studio rate US$150/hour). Available within 6 weeks of request. Fee**:** US$525

- Gold Key Service**:** USCS/Brazil develops for visiting U.S. exporters a pre-screened set of appointments with Brazilian companies meeting the U.S. company specifications and with expressed interest in a potential business arrangement with the visiting firm. CS schedules 4 appointments per day and meetings are generally held at the Brazilian company location. CS Brazil will make an initial hotel reservations and/or arrange an interpreter/driver upon receipt of the U.S. company's credit card. Any changes in reservation are the responsibility of the U.S. company. Available within 6 weeks of visit. Fee: US$450.

- Trade Missions**:** Customized visits by groups of U.S. exporters for an intensive program of individual meetings with pre-screened local companies, business briefing, and normally a representational event. Can also include plant tours and government meetings. Available within 3-4 months of confirmed request. Fee**:** Negotiated by Event; Range US$1,350 - US$2,500 per company.

III. Trade Promotion – USCS/Brazil organizes a wide range of promotional activities to assist U.S. companies in proactively promoting their U.S. products and services in Brazil.

- Trade Exhibits**:** With this set of services, a potential exporter may participate as an exhibitor at a U.S. Pavilion within a large, established trade exhibit. Such participation includes distinctive decor, freight handling and customs expediting services, targeted announcements to the trade public, and a search for prospective clients. See current list on the Web Site or request from the Head Office in Sao Paulo. Fee**:** Range between US$3,000 and US$5,000 per booth.

- Company Promotion/Technical Presentation Event: A Promotional or Technical Presentation Event offers individual or groups of companies a high visibility venue at the Commercial Service (CS) to present its products or services to a tailored audience of Brazilian clients. The requesting company provides input regarding the specific venue and audience, which generally includes a 3-hour program initiated by an official U.S. Government followed by detailed company presentation and question/answer session. Fee includes official CS event space with presentation equipment, audience development costs, and light refreshments. Available within 1 month of request.
  Fee**:** Range US$1,000 – US$2,250 plus US$1,000 for cost of simultaneous interpretation (If necessary).

- VideoConference Promotion: CS Brazil offers videoconference programming for groups or individual companies. Group videoconferences generally consist of a 1-2 hour program with U.S. and Brazilian audiences focusing on a specific industry/service issue. CS through cooperation with the U.S. Information Agency arranges the studio to receive the U.S. call via OVC (Digital Videoconference lines), brings together qualified presenters/discussants on the subject, and moderates the program from Brazil. For individual videoconferences, CS arranges the videoconference at the U.S. Commercial Center or a private site, confirms the Brazilian participant(s), arranges an interpreter, and moderates the program if requested. Group videoconference available with 1-month lead-time; individual videoconference available with 1 week lead-time**.** Fee: To be determined by the actual cost of facilities and services required to implement; Range: US$175 - US$1,300 (with call originating in the United States).

IV. CS Brazil Facilities

CS Brazil offices in Belo Horizonte, Brasilia, Rio de Janeiro, Porto Alegre, and São Paulo also offer facilities for U.S. companies to conduct business and promote their products and services, including auditoriums, meeting rooms, and facilities for catered events. The U.S. Commercial Center in São Paulo, “SPCC”, is one of just four U.S. Commercial Centers around the world. The SPCC is a place designed for U.S. exporters and Brazilian importers to conduct business in a full support environment. The SPCC offers individual company office spaces with the latest in information technologies, meeting areas for individuals and groups, an auditorium for presentations to targeted audiences, and indoor and outdoor areas for receptions. Full information on each site, including a fee schedule, is available upon request by contacting sao.paulo.office.box@mail.doc.gov

BRAZIL - SECTOR TEAMS

SECTOR	COORDINATOR MEMBERS
Agriculture Machinery & Eq. AGM)	I.Serafim,SP
Aircraft/Aircraft Parts (AIR)	Vacant, BSB
Airport/Ground Support Equip. (APG)	Vacant, BSB
Arch./Construction/ Engineering Svs (ACE)	M.Konno,SP
Aviation/Helicopter Services(AHS)	Vacant, BSB
Automotive Parts(APS)	T.Wagner,SP
Building Products(BLD)	M.Konno,SP
Computer Hardware/Software (CPT/CSF)	L.Wong, SP
Construction Machinery (CON)	M.Konno,SP
Cosmetics and Toiletries (COS)	Vacant,SP
Defense Industry Equipment (DFN)	Vacant,BSB
Drugs & Pharmaceuticals	T.Mendonça,BSB
Electrical Power Systems	R.Cunha,RJ
Electronics Industry Prod/Test Equip.	Vacant/SP
Entertainment (ENT)	P. Marega, SP
Environ Tech (POL, WRE)	T.Wagner,SP
Food Proces./Pack. Equip. (FPP)	I.Serafim,SP
Franchising (FRA)	E.Raso,SP
Furniture (FUR)	P.Marega, SP
Hotel/Restaurant Eq.(HTL)	T.Mendonca,BSB
Iron & Steel (ERS)	M.Vasconcellos,BH
Laboratory Scientific Instr.(LAB)	Vacant,SP
Metalworking Machinery(MTL)	T.Wagner,SP
Medical Equipment(MED)	Vacant,SP

Mining Industrial Equip.(MIN)	M.Vasconcelos,BH
Oil & Gasfield Machinery(OGM)	E.Kvassay,RJ
Packaging Equipment(PKG)	I.Serafim,SP
Plastic Production Machinery(PME)	T.Wagner,SP
Printing and Graphic Arts Equip. (PGA)	I.Serafim,SP
Port and Shipbuilding Equip(PRT)	E.Kvassay,RJ
Process Controls-Indust.(PCI)	Vacant,SP
Security & Safety Equip.(SEC)	M.Konno,SP
Sporting Goods/Recr.Equip(SPT)	P.Marega,SP
Telecommunications (TEL/TES)	Vacant,BSB
Textile Fabrics (TXF)	E.Raso, SP
Transportation Services(TRN)	M.Konno,SP
Travel/Tourism Services(TRA)	J.Haddad,SP
All Other Sectors (CBS)	A.P.Matiota, SP

Note: BSB = Brasília; BH = Belo Horizonte; RJ = Rio de Janeiro; SP = São Paulo

SUPPORT ACTIVITIES

FINANCIAL - J. Henderson

BNDES (Banco Nacional de Desenvolvimento Economico e Social)
EXIMBANK (Export & Import Bank of the United States)
IDB (International Development Bank)
OPIC (Overseas Private Investments Corporation)
WB (World Bank)

REGULATORY – K. Curtis

Advocacy / Major Projects
BXA (Bureau of Export Administration)
Non-Tariff Barriers
NIST (National Institute of Standards and Technology)

TRADING ENVIRONMENT - S. Kelley

FTAA (Free Trade of Americas)
MERCOSUL (Mercado Comum Sul-Americano)
WTO (World Trade Organization)

PROGRAMS – Paulo Mendes

MDCP (Market Development Cooperator Program)
TDA (Trade & Development Agency)
States & Associations
OSAC (Overseas Security Advisory Council)

United States Department of Agriculture Services in Brazil

The United States Department of Agriculture in Brazil is represented by the Office of Agricultural Affairs (OAA) located at the American Embassy in Brasilia, and by the Agriculture Trade Office (ATO) in São Paulo. Both offices assist U.S. exporters of food and agricultural products by providing current information on exporting these products to Brazil, registering U.S. companies with the Brazilian Ministry of Agriculture - MAA to become eligible to export to Brazil, and providing contact information for further information regarding the Brazilian food and agriculture market. These offices are local points for U.S. market development activities in Brazil, and can provide lists and catalogues of Brazilian importers, distributors, agents and wholesalers in order to facilitate contact with Brazilian buyers.

In order to obtain assistance, please contact OAA Brasilia or ATO São Paulo at the following addresses:

APO Address:

Office of Agricultural Affairs - OAA
AmEmbassy, Brasilia
Unit: 3500
APO AA 34030

Agriculture Trade Office –
ATO
AmConGen
Unit: 3502
APO AA 34030

Street Address:

Embaixada dos Estados Unidos - FAS
SES - Av. das Nações - Qd. 801 - Lote3
70403-900 Brasilia – DF

Tel.: (55 61) 226-3159
Fax: (55 61) 226-6784

Agriculture Trade Office
Alameda Santos, 2224
Ed. Suarez Trade, Conj. 11
01418-200 São Paulo - SP

Tel: (55 11) 282-3528
Fax: (55 11) 883-7535

AgExport Connections Service is also provided by the USDA offices in Brazil. This service is managed in FAS Washington by use of satellite communication to keep U.S. sellers and exporters informed of foreign buyers needs. This service consists in the “Foreign Buyer List” which contains information on more than 15,000 foreign buyers of U.S. food and agricultural products, and the “Buyer Alert”, which are lists of exporters of these products, distributed to foreign buyers. For more information, please contact one of our offices in Brazil or the AgExport Connections office in Washington D.C. at telephone (202) 690-3416 and fax (202) 690-4374.

Sector Coverage:

USDA also reports on some commodities identified as potential opportunity markets for a number of agricultural and food products. Reporting responsibilities are divided between the two offices (OAA/Brasilia and ATO/São Paulo). Requests for assistance should be directed to the office that reports on that commodity (please see list below).

Reports (with very few exceptions) are available at the FAS homepage or the Internet at http://www.fas.usda.gov/, generally within three days of submission to Washington.

OAA/BRASILIA AND ATO/SÃOPAUO COMMODITIES REPORTS

Commodity	Office
Citrus	São Paulo
Cocoa	Brasilia
Coffee	São Paulo
Cotton	São Paulo
Dairy	Brasilia
Grain and Feed	Brasilia
Livestock	Brasilia
Oilseeds Products	São Paulo
Planting Seeds	Brasilia
Poultry	Brasilia
Sugar	São Paulo
Tobacco	São Paulo
Tomatoes and Products	Brasilia
Tree Nuts (Macadamia Nuts)	Brasilia

Note: Inquiries on Agricultural Machinery and inputs such as fertilizers, etc. should be directed to the U.S. Commercial Service.

XIII. TRADE EVENTS SCHEDULE

FISCAL YEAR 2001

Date	Event	Post
Oct. 02-06	Int’l meeting on Aeronautics (FIA/Rio 2000)	BSB
Oct. 04-08	IBP – World Dairy Expo	SP
Oct. 09-12	IBP – MINEXPO (Mining)	BH
Oct. 16-19	Rio Oil & Gas Expo and Conference 2000	RJ
Oct. 17-20	International Airports, aviation & Space Conference & Exhibition	RJ
Oct. 17-20	IBU – Mercopar 2000 (Metal Mach., Electronics, Rubber, Plastics)	SP
Oct. 19-27	IBU – International Home Furnishings Market High Point	SP/BH/RJ/RS
Oct. 23-27	Medical Devices Trade Mission	SP/PR/RS
Oct. 24-26	Mercotrade Matchmaker 2000	RJ
Nov. 01	IBU – FENAR (Irrigation)	BH
Nov. 05-09	IBP – Pack Expo 2000	SP
Nov. 07-09	Safety & Security TM	SP
Nov. 07-09	International Clean Energy Mission	RJ/SP
Nov. 07-09	ExpoSec 2000	SP
Nov. 08-12	Construir (Building & Construction)	RJ
Nov. 13-17	(TENTATIVE) IBP – COMDEX Fall	SP
Nov. 14-16	IBP – Power-Gen International	SP
Nov. 26-29	Pennsylvania Trade Mission	SP
Nov. 29-30	Trade Show – III Americas Food and Beverage	SP/BH/RJ/RS
Nov. 30-Dec 07	(TENTATIVE) San Diego World Trade Center – Mission to Brazil	SP/RJ
Nov. (TBD)	IBP – Automotive Aftermarket Industry Week	BH/SP/RS
Dec. 03-06	Association of Airport Executives – Latin American	RJ
Dec. 03-06	AAAE Airport Conference	SP
Dec. 11-13	RepCom Brazil 2000	SP
Dec.12	Telecomm Policy Mission	BSB
Dec. (TBD)	Airport Privatization	BSB/RJ
Jan 01	(TENTATIVE) Multistate Catalogue Show	SP
Feb. 09-12	International Builder Show	SP/BH
Feb. 27-Mar. 02	IBP – World of Concrete	SP
April 24-27	IBU – Exposibram Mining Fair	BH
May (TBD)	Dallas Trade Mission	SP
May (TBD)	(TENTATIVE) ABINEE TEC – Microelectronics	SP
April (TBD)	(TENTATIVE) Franchising Trade Mission	SP
April (TBD)	Visit USA	SP
Jun 05-08	Hospitalar 2001 (Hospital Equipment)	SP
Jun (TBD)	Multistate Catalogue Show	BH/RS
Jul. 14-18	XVth CIORJ(International Dental Congress	RJ

Sep. (TBD)	Study USA 2001	SP