

Doing Business in Brazil:

Key Recommendations

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Key Recommendations for Doing Business in Brazil

Most firms need to grow to maintain market share and take advantage of greater economies of scale. For this reason, many enterprises and organizations headquartered in the United States are now engaging in efforts to take advantage of the world's sixth largest national economy, [Brazil](#). BrazilWorks offers **Doing Business in Brazil: Key Recommendations** to assist these efforts.

Brazil's population of 190.7 million ranks fifth in the world. It is the largest country in area and population in Latin America and the Caribbean (LAC). The country's median age is 28.6 years. Its economy now rivals France and Russia. According to the Economist Intelligence Unit, Brazil's national economy is expected to expand annually by 4.4 percent for the coming decade and by 2030 could become the fifth largest national economy in the world.¹ According to the World Bank,

*"Following the outbreak of the global economic crisis in September 2008, Brazil underwent a recession that lasted only two quarters; aided by very strong fundamentals, a counter-cyclical macroeconomic policy stance and increasing commodity prices, the economy recovered at a fast pace."*²

Brazil's sound economic fundamentals are matched to its drive to lead the region in innovation, science and technology advanced industries in aerospace products, automobile manufacturing, and telecommunications equipment. It is a global leader in agricultural research, deep-sea oil production, and remote sensing. Moreover, the country's manufacturing sector benefits from an abundance of natural resources, renewable energy, strong public and



private financial institutions, a large national consumer base, and the recent diversification of its export markets for both commodities and manufactured goods.

Brazil's sustainable economic growth trend has also boosted bilateral trade with the United States. In 2010, the U.S. was Brazil's largest import supplier followed by China, Argentina, Germany, and South Korea. The U.S. enjoyed a positive trade balance in 2010 with U.S. merchandise exports to Brazil at US\$ 35 billion, and imports from Brazil at US\$ 24 billion.

The U.S. Commercial Service reports that,

*"There are few, if any, sectors in Brazil that do not have excellent short term opportunities. Certain sectors of the Brazilian market have experienced higher than average growth, such as air transportation, telecom, oil and gas, and mining. Brazil will spend billions in infrastructure development of its roads, railroads, ports, and airports as well as in stadiums as it prepares for the World Cup in 2014 and the Olympics in 2016. Other promising areas for U.S. exports and investment include the following: agriculture, agricultural equipment, building and construction, electrical power, safety and security devices, environmental technologies, nuclear power, retail and transportation."*³

¹ Economist Intelligence Unit. "Ampliando o acesso ao sistema de saúde no Brasil por meio da inovação. November, 2010:3.

² The World Bank. "Brazil Country Brief." Accessed on September 1, 2011 at: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/BRAZILEXTN/0,,menuPK:322351~pagePK:141132~piPK:141107~theSitePK:322341,00.html>.

³ U.S. Export.gov. "Doing Business in Brazil." Accessed Sept. 1, 2011 at: <http://export.gov/brazil/doingbusinessinbrazil/index.asp>.

In this briefing, **Doing Business in Brazil: Key Recommendations**, BrazilWorks synthesizes the best advice and documents the leading sources of information. This publication consolidates prudent advice, best practices, select recommendations, and the available resources needed to consider Brazil's distinct challenges and growing opportunities while formulating strategic plans to make the Brazilian market a source of organizational success.

Understand your Brazilian Market

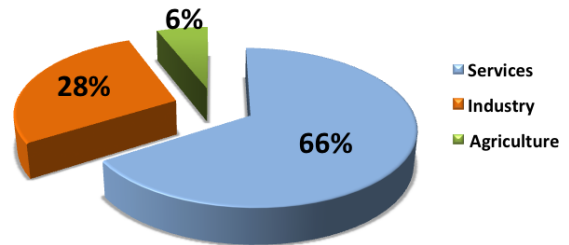
Brazil's large, diversified economy offers U.S. companies attractive opportunities to export goods and services, import the country's growing list of higher value added manufactures, agricultural commodities, and leading edge services, or invest across a broad spectrum of [innovative sectors and economic activities](#). Market entry requires extensive market and institutional analyses to assess the long list of uniquely Brazilian variables required to develop a strategic planning framework capable of detailing key challenges and opportunities. For example, the [World Bank](#) ranks Brazil 120th out of 183 in terms of the "ease" of starting a business. Importing a standard container of goods required 8 documents, 17 days and fees of \$2275 in Brazil last year alone. Most of these obstacles to trade and investment are uniquely Brazilian, framed by distinct regulatory and market conditions that require both cultural insight and a keen institutional understanding to overcome them.

To begin this process, BrazilWorks recommends that U.S. based firms and organizations attend relevant trade shows and professional conferences; and meet with industry leaders, prospective clients and partners, and professional service providers (communications, financial, and legal) to partially assess current and developing market obstacles and opportunities. For an overview of your particular market in Brazil, consult the [U.S. Commercial Service Market Research Library](#) or contact [BrazilWorks](#).

Prospect for Successful Partnerships

Most guides to doing business in Brazil point to the need to identify and evaluate prospective partnerships with clients, suppliers, professional service providers, and even government regulators and

Brazil GDP Breakdown by Sector



Source: US Department of State <http://www.state.gov/r/pa/ei/bgn/35640.htm>

policymakers. Prospecting for partners is a strategic component for any business plan aimed at Brazilian markets. Incomplete prospecting can lead to frustration, excessive costs, and failure to fully develop or implement a winning business plan in Brazil. Partnership prospecting is best conducted by advisors or firms that can conduct institutional and organizational analyses, while also facilitating communications with prospective partners on your behalf.

Brazil provides a legal/regulatory framework for contracting with permanent or non-occasional commercial representatives within a defined territory and stipulating specific compensation or commission for services rendered. The Brazilian civil code provides for "commercial agency and distribution;" and contains specific safeguards which include a prior notice requirement to be met by the principal if the commercial representation agreement is terminated without cause; or a minimum indemnification payable to the commercial representative in specific cases of the principal's unilateral termination or by the representative's termination without cause. Of course, do not sign any commercial representation or professional services contracts before completing a joint business plan as well as a comprehensive organizational analysis of each prospective partner or representative.

To review the credit status of a prospective partner, representative, or supplier, such information is available for a fee from [Dun & Bradstreet Equifax](#), or [SERASA](#), a Brazilian commercial information service company.

Prepare to Sell to Brazil

Leading [exports to Brazil](#) include: aviation equipment and aircraft, chemicals, computer accessories, plastics, telecommunications equipment, chemical fertilizers, semi-conductors, pharmaceutical preparations, electrical and industrial machines, drilling and oilfield equipment, industrial engines, railway and excavating equipment; all intermediate industrial products and capital goods. These technology intensive products comprise over 60 percent of U.S. exports to Brazil, thereby providing a growing and reliable export market for high value added U.S. manufactures while making a strategic contribution to Brazil's economic development.

Selling U.S. produced goods and services in Brazil can be complicated, but increasingly lucrative. Therefore, U.S. companies need to carefully consider a two track process of exporting to Brazil and selling in the Brazilian marketplace.

First, Brazilian companies do import directly from foreign manufacturers without local representation, but in most cases the presence of a local agent or distributor is essential. It is advisable to consider multiple commercial representatives depending on the structure of the national market and the regional and state to state variations in economic development, infrastructure, local markets, and state and local regulatory institutions. Moreover, the U.S. Commercial Service recommends that U.S. companies selling goods and services in the Brazilian marketplace obtain legal services to negotiate necessary

"written agreements to limit liability for product defects, protect a trademark, better ensure payments, and define warranty terms. Clauses related to exclusivity and performance targets may be included within the agreement."

Second, Brazil offers all of the modern import institutions and actors, including: agents, distributors, import houses, trading companies, subsidiaries and branches of foreign firms, among others. It is essential to survey these institutions and actors, and develop a partnership prospecting strategy that identifies those best able to assist with your efforts to sell goods and services in Brazil.

Resources

U.S. Government

[US Country Commercial Guide for Brazil 2011](#)
U.S. Government Commercial Service

Brazilian Government

[Brazil's Central Bank](#)

[Brazil's Trade and Investment Promotion Agency \(APEX\)](#)

[Brazilian Development Bank \(BNDES\)](#)

International Financial Institutions

[Doing Business 2012, Brazil](#)
World Bank

Private Sector

[Doing Business in Brazil](#)
Elísio de Souza

[Guide to Doing Business in Brazil](#)
Pinheiro Neto Lawyers

[Doing Business in Brazil | 01/2011](#)
Swiss Chamber of Commerce

[Brazil Legal Provisions | 06/2010](#)
Swiss Chamber of Commerce

[Field Guide to Doing Business in Brazil](#)
National Association of Realtors

[Business Basics in Brazil](#)
Journal of Accountancy

[Brazil-U.S. Business Council](#)

[American Chamber of Commerce in Brazil](#)

[Brazilian-American Chamber of Commerce](#)

[BrazilBiz](#)

[Invest in Brazil](#)

[The Brazil Business](#)

Third, selling to Brazil requires a strong [marketing approach](#) that depends on national and local partners to identify and effectively respond to market opportunities. Therefore, it is recommended that careful attention be paid to building relationships and evaluating the expertise and experience of commercial representatives and marketing firms. Attending trade shows and conferences is an efficient method of identifying those already working in a specific marketplace.

Also, U.S. exporters and Brazilian importers must register with the [Foreign Trade Secretariat \(SECEX\)](#), an organ of the Ministry of Industrial Development and Commerce (MDIC). Depending on the product, Brazilian authorities may require more documentation. The Ministry of Health controls all products that may affect the human body, including pharmaceuticals, vitamins, cosmetics and medical equipment/devices. Such products can only be imported and sold in Brazil if the foreign company establishes a local Brazilian manufacturing unit or local office, or the foreign company appoints a Brazilian distributor who is authorized by the Brazilian authorities to import and distribute medical products. Such products must be registered with the Brazilian Ministry of Health. The registration process can sometimes be complex and/or time consuming.

More details about export documentation can be found at the [FedEx Brazil Profile page](#).

Commercial transactions between U.S. sellers and Brazilian buyers require the Brazilian importer to purchase the corresponding foreign funds by means of an exchange contract at any bank authorized by the Brazilian Central Bank. The exchange rate and related

fees are negotiated directly between the purchaser of the foreign currency (the importer) and the bank. For more information consult Brazil's Central Bank and its [Brazilian Payment System briefing](#).

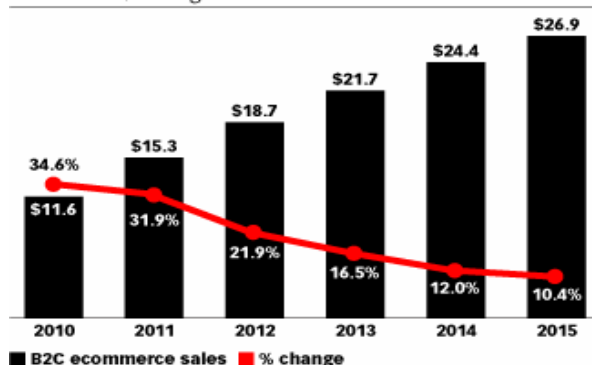
Lastly, for those U.S. companies interested in B2C (business to consumer) [e-commerce, Brazil offers Latin America's most advanced internet based marketing experience and e-commerce markets](#). Brazil has rapidly increased sales of computers, expanded broadband penetration through private sector investment and innovative public policies, improved cyber-security, and now offers a growing market of 18-35 year old credit card holders. Brazil is already the fifth largest e-commerce market in the world with plenty of opportunity for further growth.

Consider Importing from Brazil

Importing from Brazil to the United States can be an easier operation than exporting, but companies should carefully consider responsible partners, suppliers, and custom brokers/freight forwarders since their assistance will be key to successfully importing a growing list of Brazilian goods, including aviation equipment, telecommunications equipment, food products, clothing and textiles, footwear, metal and steel products, electrical components, military equipment, and stone, sand and cement as well as a host of professional and technological services. Check the [Brazilian Exporter portal](#) for a list of Brazilian exporting enterprises.

Meet your new supplier in Brazil before contracting for a product shipment and visit the production facility to insure that quality control measures are in place and that your supplier can work with your custom broker and freight forwarder in Brazil. Avoid boilerplate contracts drafted exclusively in Portuguese and take the time and invest the resources for legal counsel and a contract with the terms of trade and conditions for shipment spelled out in both English and Portuguese. Make sure that your Portuguese language contract is enforceable in the relevant jurisdiction in Brazil. Agree on a payment schedule and mechanism, making sure that the mechanism is fair and not onerous to either party. Consult with your custom broker/freight forwarder before contracting the terms to trade to better understand their preferences and what works best on the ground.

B2C Ecommerce Sales in Brazil, 2010-2015
billions and % change



Note: includes travel, digital downloads and event tickets; excludes online gaming; converted at the exchange rate of US\$1=BRL1.76; CAGR (2010-2015)=18.3%

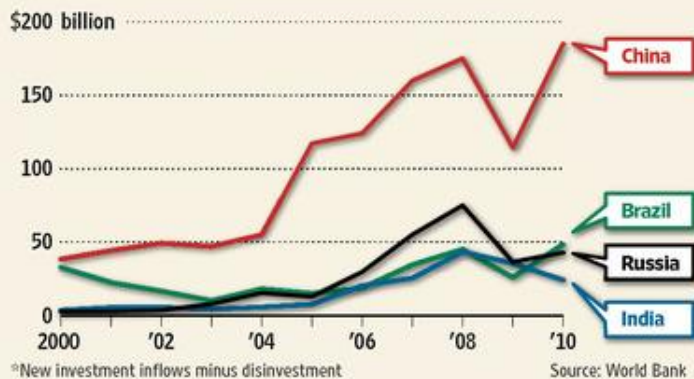
Source: eMarketer, Oct 2011

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www.eMarketer.com

Money Magnet

Overall inbound foreign direct investment*, by country



Invest in Brazil

Brazil consistently ranks as the largest foreign direct investment (FDI) recipient in Latin America and receives close to half of all South America's incoming FDI. U.S. foreign direct investment in Brazil has grown rapidly during the past fifteen years, first with the privatization of many of Brazil's prized state owned enterprises (SOEs) in the 1990s, and then followed by the period of economic expansion beginning in 2004.

U.S. FDI grew to approximately \$38 billion a year during the height of the privatization process (1997-2000) and then rose to nearly \$50 billion in 2007 before the U.S. recession suspended the trend.

According to APEX, Brazil's Trade and Investment Promotion Agency, "Brazil has attracted a growing number of foreign investors, motivated by great business opportunities in the several regions of the country. Since 2008, Brazil earned the investment grade status, according to the evaluation of rating agencies Standard & Poor's, Moody's and Fitch. It is the best rating to receive foreign investments, which is issued

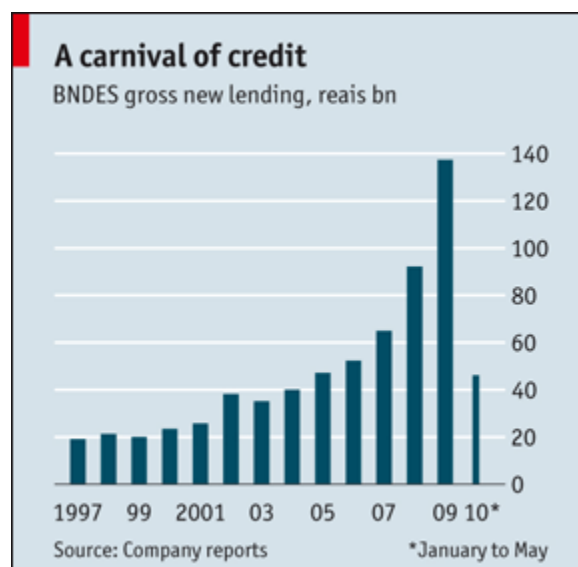
only to countries that are likely to meet their payment obligations." Currently APEX is promoting FDI in the following sectors or activities: oil and gas, semiconductors, information technology, life sciences, tourism, and venture capital and private equity formation. Before considering making an investment in

Brazil, review APEX's [Legal Guide for Foreign Investors in Brazil](#) and consider taking advantages of this [agency's many services](#).

Explore Financing Options

Brazilian companies can arrange at-market or even below-market direct loans with the Brazilian National Economic Development Bank (BNDES)-see chart below. In many cases, the funds can be used to purchase goods from U.S. exporters. However, this process may take time so joint planning with Brazilian partners is essential. For more information on how Brazilian partners can finance foreign trade, consult the [BNDES foreign trade page](#).

For Brazilian importers of U.S. goods and services, most national banks can provide up front credits to Brazilian buyers and importers for purchases abroad per a special financing agreement (at times in combination with BNDES financing programs). These special foreign trade financing agreements usually provide a six month grace period for qualified enterprises, but are much more expensive than what most U.S. companies face in the U.S. or Brazilian private enterprises obtain through BNDES. However, for many Brazilian companies, such financing is the only available tool for purchases of U.S. imports, especially for expensive capital goods and high technology equipment. For this reason, U.S. exporters to Brazil should check with the U.S. [Export-Import Bank](#) to understand whether their Brazilian buyers might qualify for special financing packages and guarantees.



Protect Your Intellectual Property

Foreign investors need to know that Intellectual Property Rights (IPR) are protected differently in Brazil than in the United States. Brazil has ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights – TRIPS, and since 1996 Brazilian law has gradually incorporated international standards, safeguards, and enforcement best practices. The [National Institute of Industrial Property \(INPI\)](#) regulates the recognition intellectual property and its protection under Brazilian law. The INPI promotes partnerships and agreements with national and international entities and institutions to promote the use of Industrial Property.

One of the main results of this effort is the creation, in 2004, of the Academy of Intellectual Property and Innovation. The legislation that regulates the Industrial Property in Brazil is the Industrial Property Law ([Law nº 9.279/96](#)), the Law of Software (Law nº 9.609/98) and the Law nº 11.484/07, related with intellectual property protection of the topography integrated circuits. The Industrial Property Law protects trademarks, patents, utility models, and industrial designs; and prohibits certain forms of “unfair” competition. U.S. companies doing business in Brazil, including trade and direct foreign investment, should partner with a legal services firm to insure national IP protection.

Match the Workforce to Your Needs

Brazil’s workforce is experiencing a rapid rise in overall compensation and concurrent increase in the purchasing power of wage and salaried workers. According to the Brazilian federal government’s Instituto de Pesquisa Econômica Aplicada (IPEA), average wages rose 7.95% from 2002 to 2008, 17.1% between 2004 and 2008 alone.⁴ Brazil’s minimum wage rose 36.9% in real terms from 2002 to 2008, impacting most of Brazil’s active workforce and retirees.⁵ Brazil’s workforce is young and undereducated, but college admissions are quickly increasing due to public policies and working families’ increased purchasing power.

⁴ IPEA. “A Evolução Recente dos Rendimentos do Trabalho e o Papel do Salário Mínimo.” Comunicados do Ipea. May 13, 2010.

⁵ Ibid.



Today, unemployment is at historic lows and there is evident scarcity of skilled workers in the oil and gas sector, construction, and other capital intensive economic activities. Brazil has a high regulated labor market, and significant efforts are underway to reduce the informal economy and bring ever increasing numbers of poor Brazilians into the formal labor market structure and consumer markets.

U.S. companies operating in Brazil with employees should carefully consider their legal obligations under Brazilian federal law. A formal employment contract is not required under Brazilian law, and oral agreement is recognized. However, any employment contract, written or oral, must be recorded by the employer signing the employee’s Work and Social Security Card or “carteira,” within 48 hours of agreement. U.S. headquartered employers should consult with a Brazilian employment law specialist before making any hires.



Travel to Brazil for Business

A passport and visa are required for U.S. citizens traveling to Brazil for any purpose. There are no "airport visas," and immigration authorities will refuse entry to Brazil to anyone not possessing a valid visa. For current entry and customs requirements for Brazil, travelers may contact the Brazilian Embassy at <http://www.brasilemb.org/>.

Portuguese is Brazil's official language. English proficiency varies among Brazilian business persons. It is usually a good idea to have a translator accompany you on meetings and 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. Telecommunications standards in Brazil are good. Internet can easily be found in major hotels as well as Internet cafes. Within metropolitan areas the phone system is reliable and most people use cell phones. U.S. mobile phone providers normally charge very high rates for roaming in Brazil, but check your carrier.

Upon arriving in Brazil, air travel between cities is widely available-but try to book your reservations in advance to avoid high fares. Most cities have affordable taxi service, but negotiate the rate with the driver before leaving for your destination.

**For more information
contact BrazilWorks today.**

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BrazilWorks provides consulting services to Brazilian and United States based private sector enterprises, civil society organizations, and policymakers interested in Brazilian markets, investment opportunities, public policies and regulations, the national political economy, and international commercial relations. BrazilWorks specializes in agriculture, climate change, energy, healthcare, fiscal and development policy, and international commercial and investment negotiations.

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