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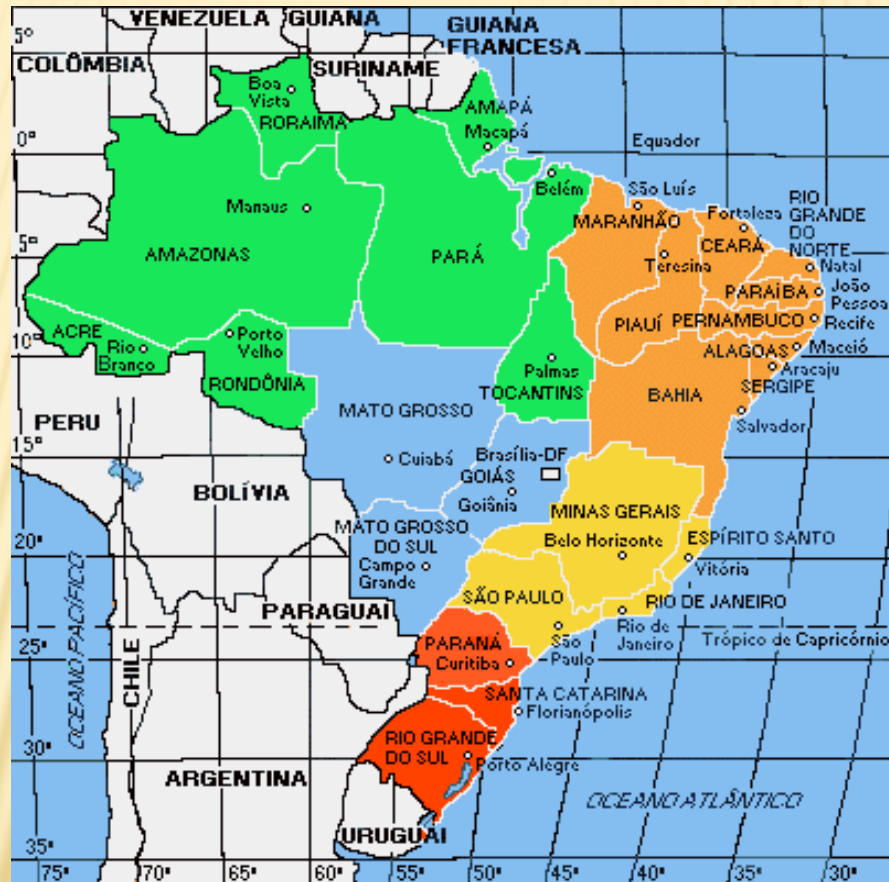
BRAZIL THROUGH THE LENS OF ITS CULTURE, HISTORY, AND ECONOMY

BRAZIL: BASIC FACTS

- ✘ **Population:** 192 million
- ✘ **Language:** Portuguese
- ✘ **Size:** slightly smaller than continental USA.
- ✘ **Location:** South America (borders with every other nation in the continent except Chile and Ecuador).
- ✘ **GDP:** \$2,492 trillion
- ✘ **GDP per capita:** \$ 12,916
- ✘ **Currency:** Real



MAP OF BRAZIL BY REGION



DILMA ROUSSEFF



BASIC FACTS

- ✘ The U.S. is Brazil's main trading partner.
- ✘ In 2011 the USA/Brazil trading activities reached \$74 billion with \$42.9 billion of U.S. exports, and \$31.3 billion of U.S. imports from Brazil.
- ✘ Politically stable, democratic government, direct elections since the mid 1980s.

BRAZILIAN CULTURE AND BUSINESS

- ✘ Personal relations are important and may determine the success or failure of business relations.
- ✘ Informality (lack of discipline).
- ✘ Long-distance relations may be complicated.
- ✘ Preference for direct personal contact over (phone, letters, or email)

MARKET ENTRY

- ✘ Business culture based on personal relationships.
- ✘ Companies need a strong presence in Brazil.
- ✘ Must invest time in developing relationships.
- ✘ Should visit Brazil to meet one-on-one with potential partners.
- ✘ Work through a qualified agent or distributor.
- ✘ Some firms establish an office or joint venture in Brazil.
- ✘ It is difficult for U. S companies to get involved in the public sector without a Brazilian partner.

THE “BRAZIL COST”

- ✘ Doing business in Brazil requires knowledge of both explicit and implicit costs.
- ✘ These costs are related to distribution, government procedures, employee benefits, environmental laws, and a complex tax structure.

OPPORTUNITIES IN

- ✘ Agriculture equipment
- ✘ Airports
- ✘ Computer software
- ✘ Aircraft parts
- ✘ E-commerce
- ✘ Highways
- ✘ Insurance
- ✘ Iron & steel
- ✘ IT hardware
- ✘ Medical equipment
- ✘ Mining

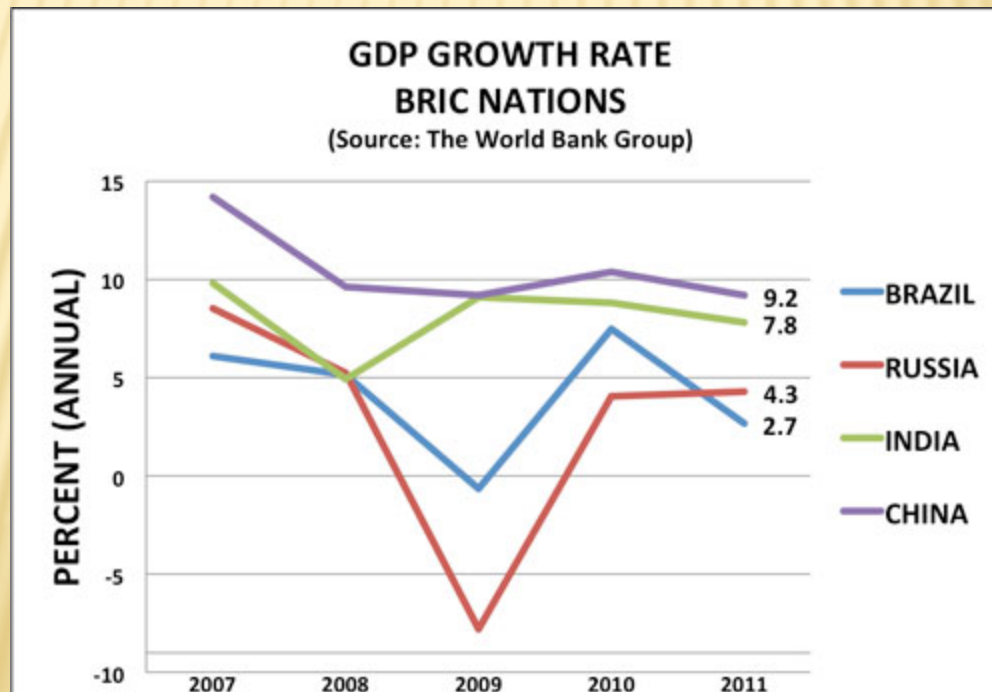
OPPORTUNITIES IN

- × Oil & gas
- × Pharmaceuticals
- × Pollution equipment
- × Ports
- × Railroads
- × Safety
- × Telecommunications
- × Tourism

BRAZILIAN ECONOMY

Brazil is...

- ✘ Latin America's largest market
- ✘ 5th most populous country
- ✘ 6th largest economy in terms of GDP

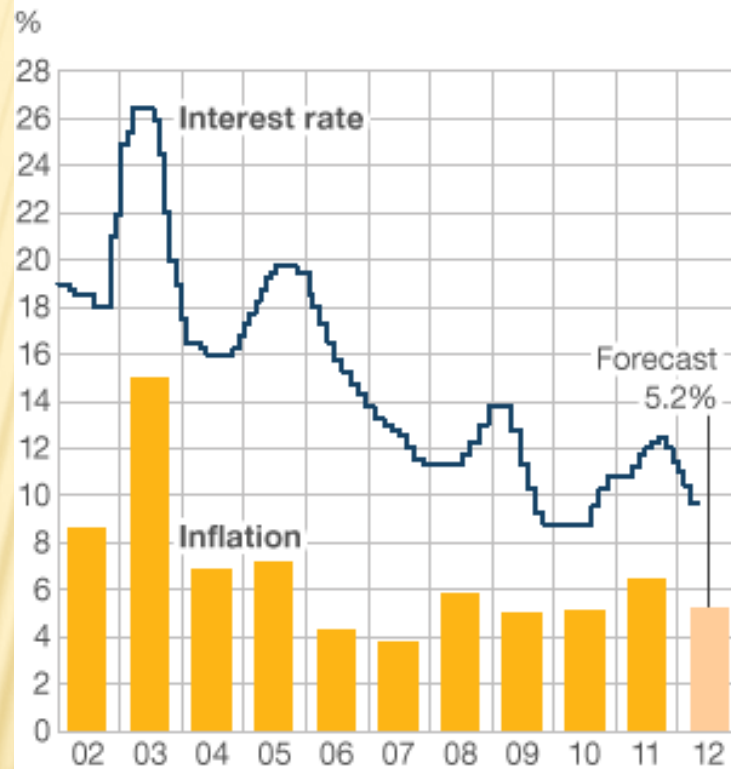


AGRIBUSINESS

- ✘ largest producer of coffee, sugarcane and oranges
- ✘ 2nd largest producer of soybeans, cattle meat, poultry, tobacco, bananas, and Brazil nuts
- ✘ production of sugarcane byproducts, e.g. ethanol grew 6.4% in 2007.

INFLATION AND INTEREST RATES

Brazil's inflation and interest rates



Source: Inflation: IMF; Interest rate: Central Bank of Brazil

Economy (cont)

Aircraft Parts

- ✘ Brazil imported \$1.6 billion in aircraft parts (Jan to Aug 2008)
- ✘ Embraer, a world leader in small aircraft production, projects an increase of 5% a year from 2009 to 2028 in demand for jets.
- ✘ U.S. is Embraer's largest customer (60% of purchases)

Airports

- ✘ Brazilian government will announce major changes in airports
 - + Privatization of 2 major airports (Galeão, RJ & Viracopos, Campinas, SP).
 - + Investment of \$ 1 billion in airport modernization in 2009.

Economy (cont)

Electrical Parts and Systems

- ✘ 10th among the largest world power operators.
- ✘ Electricity generation is largely in federal and state hands.
- ✘ State-owned power company, Eletrobras, controls over 40% of installed generation capacity. Hydroelectricity accounts for 77% of it.
- ✘ Hydroelectricity should be reduced to 75.9%, while natural gas power plants may increase from 10.7% to 12%, and nuclear generation may reach 4 to 5%. In addition to the sale of equipment opportunities also exist in investing in power generation plants through power auctions.

Economy (cont)

Computer Hardware/Information Technology

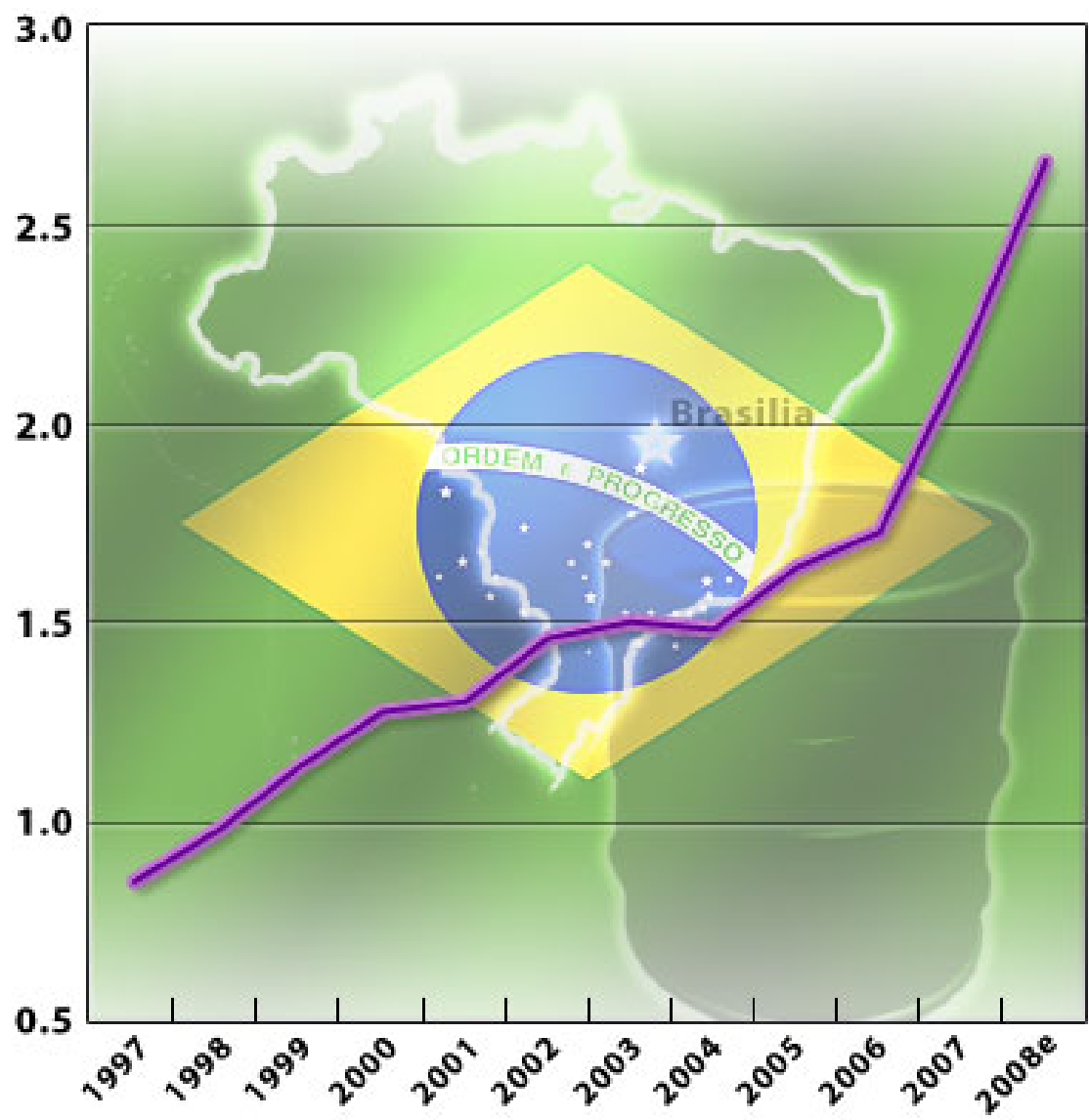
- ✘ Factors that support the growth of the IT industry in Brazil are a stable economy, strong local currency and availability of loans. In 2008, Brazil invested US\$ 24 billion in information technology. Of this amount, US\$ 12.5 billion was invested in computer hardware, US\$ 8.5 billion in IT Services and US\$ 3 billion in computer software.
- ✘ Sales of 10.7 million units of PCs in Brazil in 2007 – desktops and laptops – represent a growth of 38% compared to 2006. Laptops presented an extraordinary growth of 153% in 2007, a total of 1.5 million units sold.

Economy (cont)

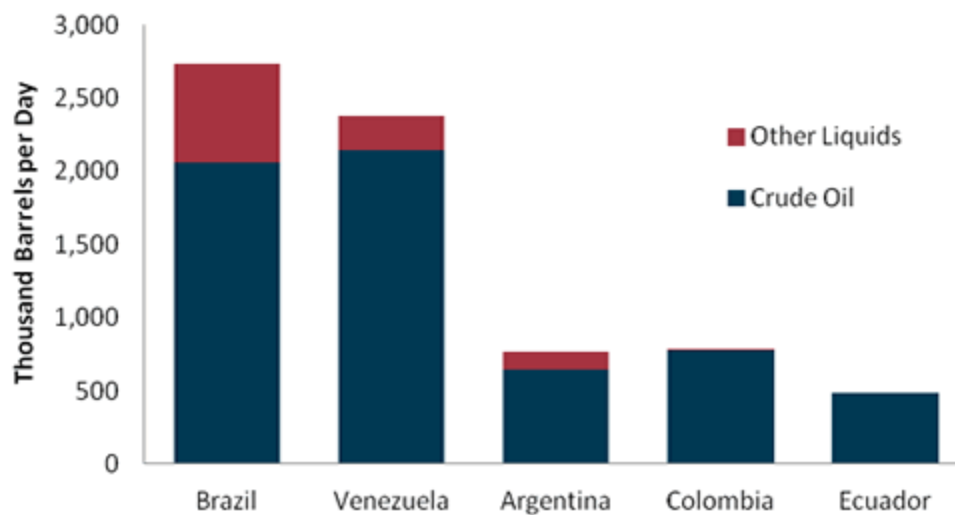
Oil & Gas

- ✘ Brazil ranks 17th in world in terms of proven oil reserves. It is not part of the Organization of Petroleum Exporting Countries (OPEC). The new large oil and gas discoveries (Tupi and Jupiter) that Petrobras made in late 2007 under the pre-salt layer could turn Brazil into an oil giant.
- ✘ Since state-owned Petrobras' monopoly ended in 1998, over 50 international firms have entered Brazil.
- ✘ Petrobras, Brazil's largest company with net revenues of US\$ 85.3 billion is a publicly traded state-owned energy company ranked among the top 15 oil companies in the world. Currently, Petrobras maintains 109 oil production platforms in Brazil.

BRAZILIAN OIL PRODUCTION

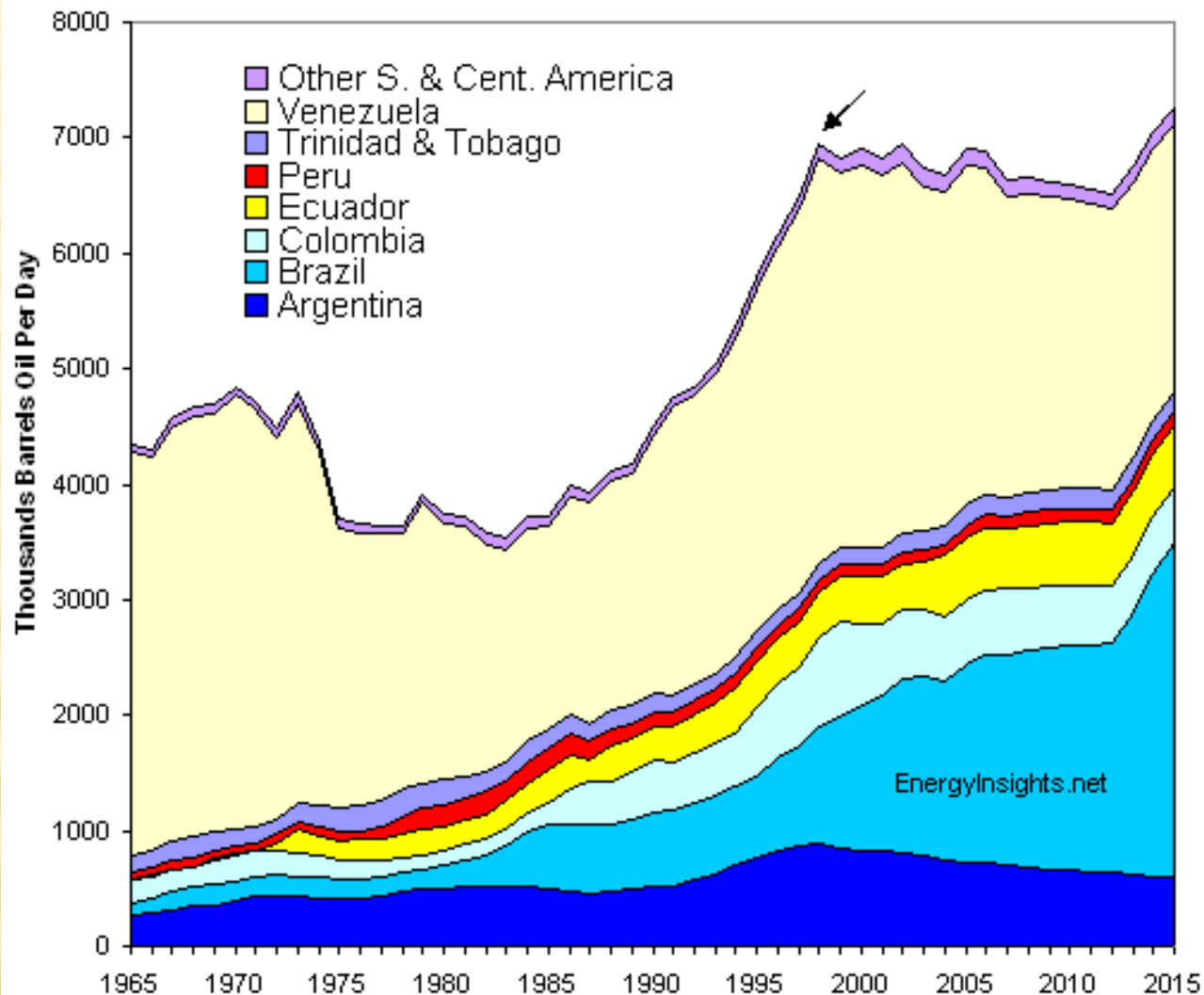


Top 5 South American Liquids Producers (2010)



Source: EIA, *International Energy Statistics*

Oil Production in South America since 1965 and forecast to 2015



Economy (cont)

Pharmaceuticals

- ✘ The Brazilian pharmaceutical industry is comprised of 270 companies, a total market value of US\$ 17 billion in 2008, with an estimated 20% growth. Brazil is among the five largest pharmaceutical markets in the world in terms of unit sales.
- ✘ The generic drug market is growing rapidly. Nearly all generic production is purchased by state public health care systems as part of the program to distribute medicine to the poor. It is estimated that the generic market will reach US\$ 1 billion in sales.

Economy (cont)

Telecommunications

- ✘ With roughly 35% of the region's revenues, Brazil remains Latin America's largest telecom market. Net revenue from telecom equipment was near US\$62 billion in 2008 and it could reach US\$74 billion in 2012.
- ✘ Fast-changing technology, competitive prices, and the emergence of capital-rich players have all contributed to an increase in competition within Brazil's telecom market. The number of mobile phone users grew from 120 million in 2007 to 151 million in 2008, a market penetration of 78%. This ranks Brazil in fifth place in terms of cell phone users, behind China, United States, India and Russia.

SOCIAL GAP/CHALLENGES: IBGE/PNAD SURVEY

- ✘ **Concentration of Wealth:** most wealthy 10% make 43.3% of total income; poorest 10% make 1.1 % .
- ✘ **Illiteracy:** 10 to 12% of the population of 15 and older (according to 2006 statistics from UNESCO)
- ✘ **Education:** 2,1 million children between 7 and 14 years attend school but are still illiterate.
- ✘ **Housing:** Population living in favelas has risen 42 % in the last 15 years. In 1992, 4.914 million people (3.2% of Brazilian population). In 2007 6.979 million (3.8% of Brazilian population).
- ✘ **Access to basic sanitation:** 34.5 million people have no access to sewage and trash removal (26.8% of Brazilian population).
- ✘ **Racism:** The quota system does not alter the number of blacks in Brazilian universities. Blacks and mestizos were 36.4% of students in 2001. In 2007 the number is 38.2%.
- ✘ **Sexism:** Women's income is lower in every profession of the 100 surveyed.
- ✘ **Children's work:** 10.1% of children work.

CHALLENGES



SOCIAL PROGRAMS

✘ Bolsa-família

A program to help poor families provided that their children remain in school. ■

✘ Fome zero

A program to foster the production and distribution of food to the poor.

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