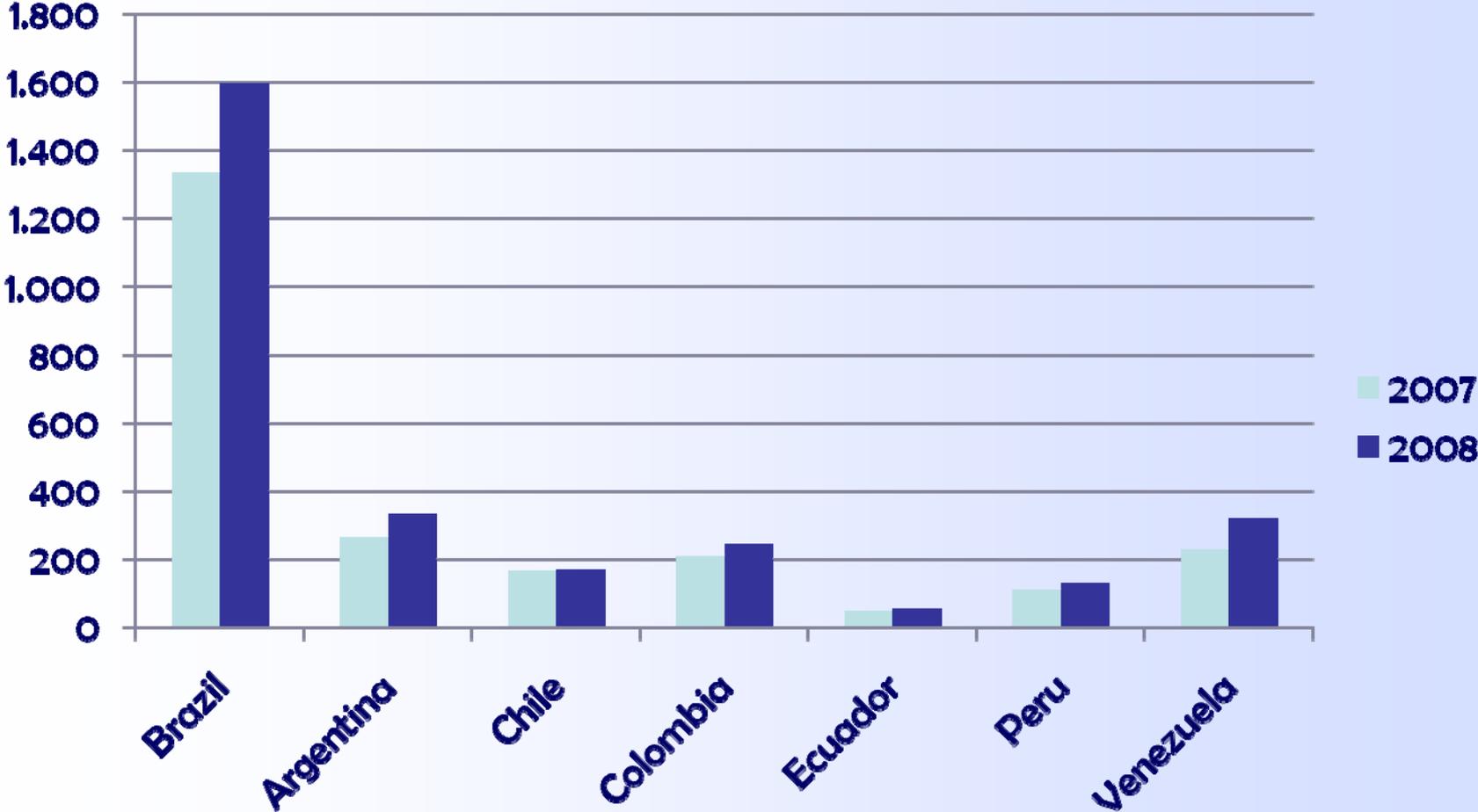




BRAZIL MEANS BUSINESS

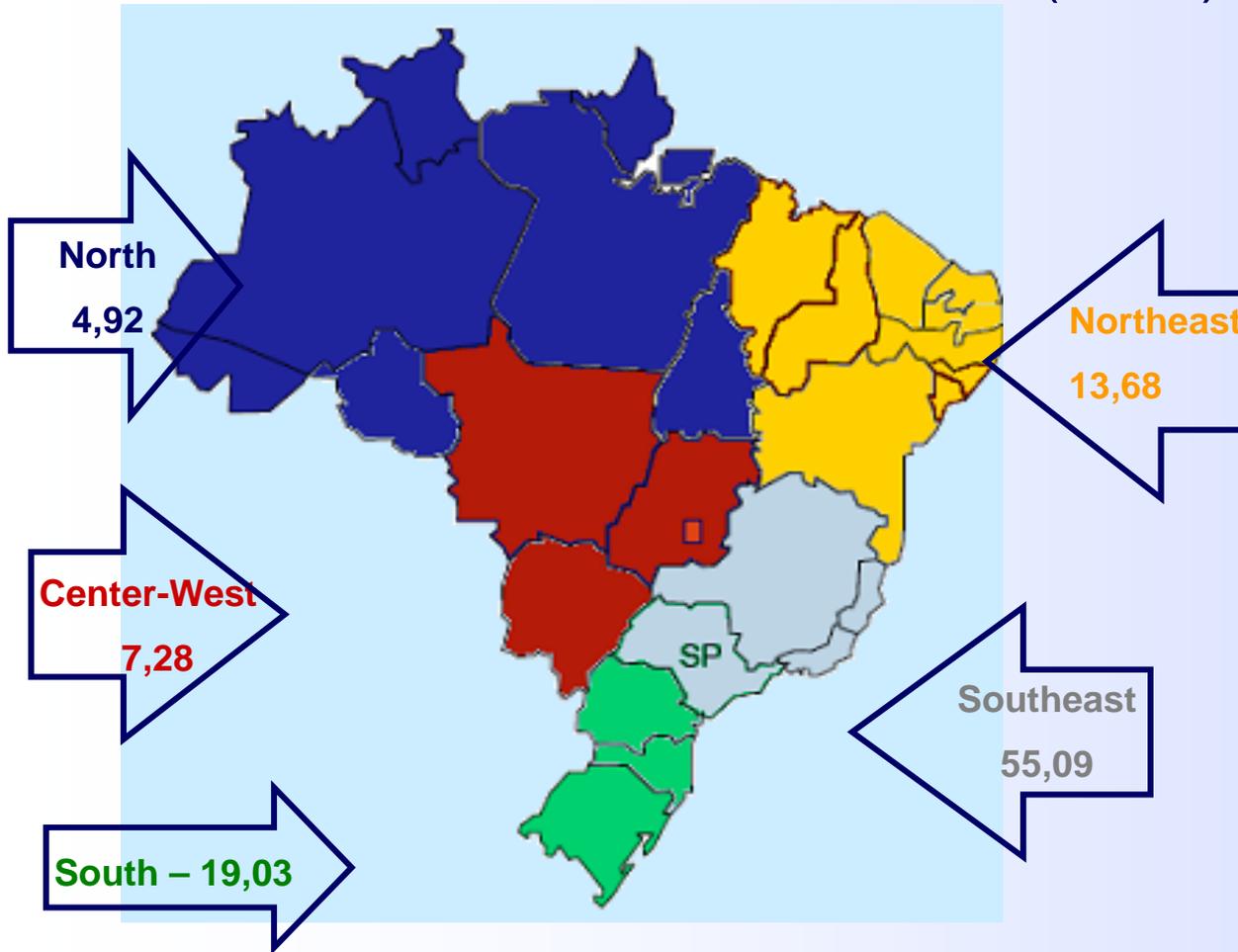
In spite of the world financial crisis, Brazil remains an appealing business destination.

GDP compared – Latin America (in trillions of US\$)



REGIONAL DISPARITIES

% of total GDP (2008)



Note:
5 cities represent almost
24% of Brazilian GDP as
follows:

SP	12%
RJ	5,2%
DF	3,8%
BH	1,4%
Curitiba	1,2%

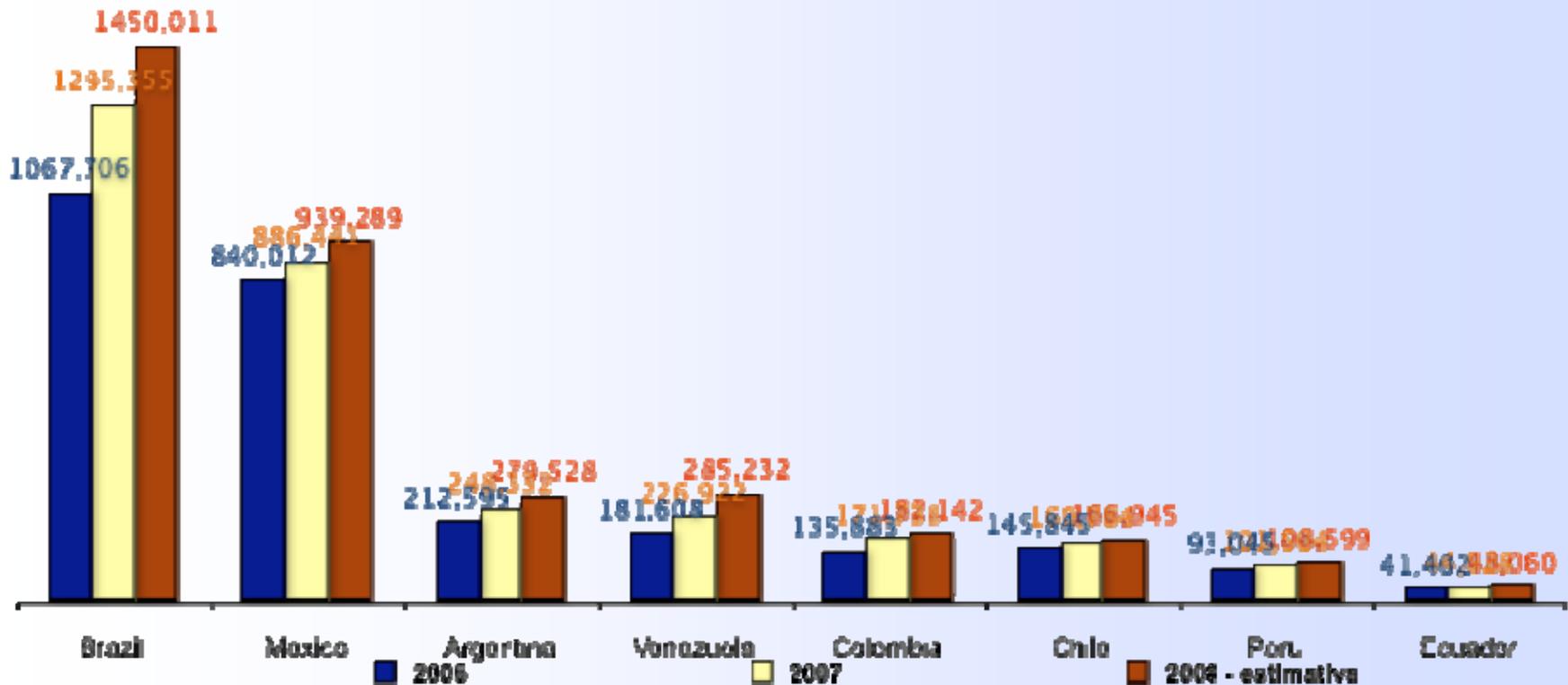
HEALTHY ECONOMY:

Macroeconomic Analysis

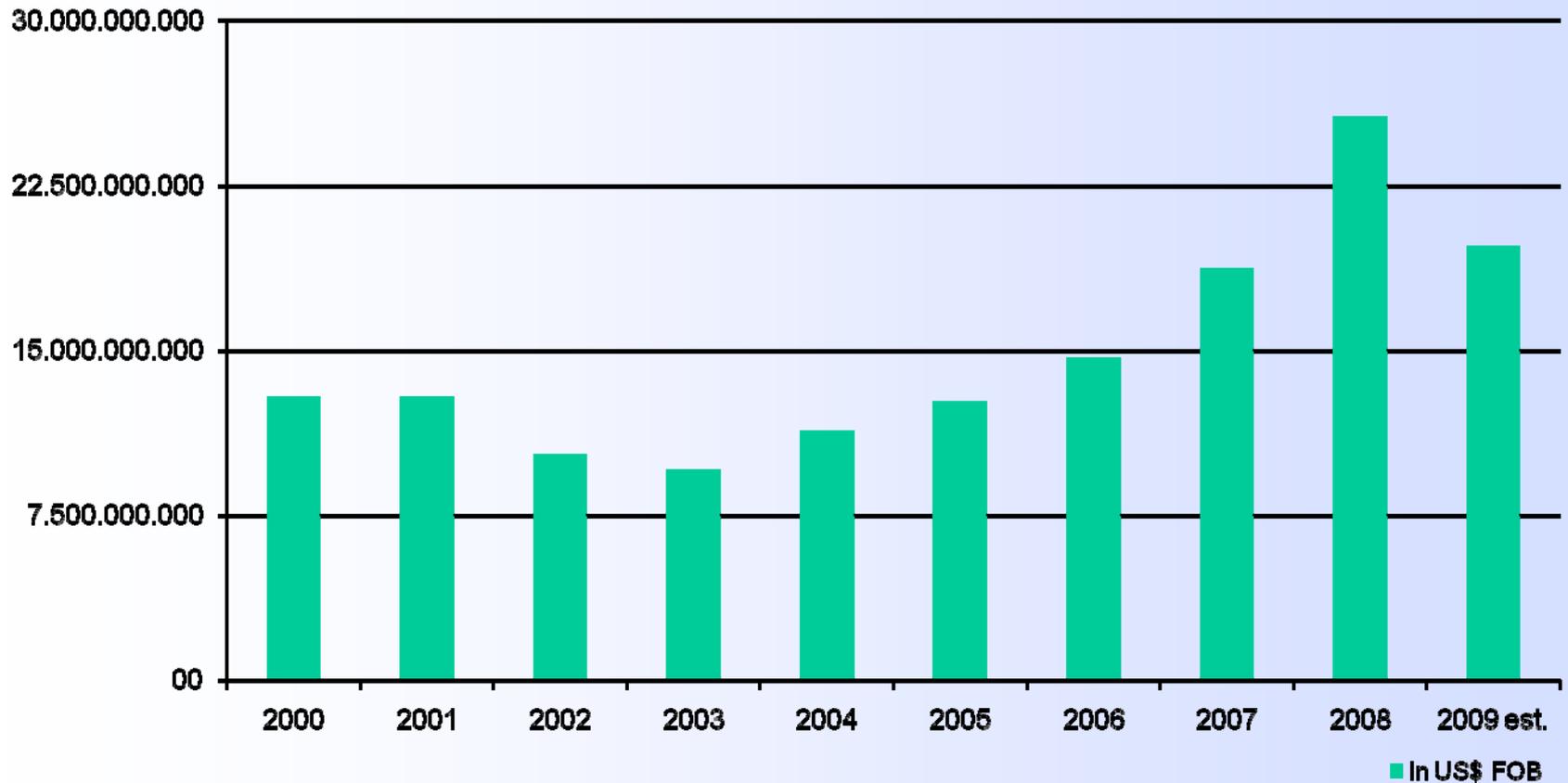


- ❑ Achieved investment grade status (S&P Rating Services – April 2008)
- ❑ Strong post crisis economy relative to other countries
- ❑ Inflation under control
- ❑ Appreciating currency

Brazil GDP Compared to rest of Latin America (US\$ Billion)



Imports from USA



Top Exports from Brazil



Sugar cane



Orange



Meat



Oil



Soy



Corn



Ethanol



Iron ore



Airplanes



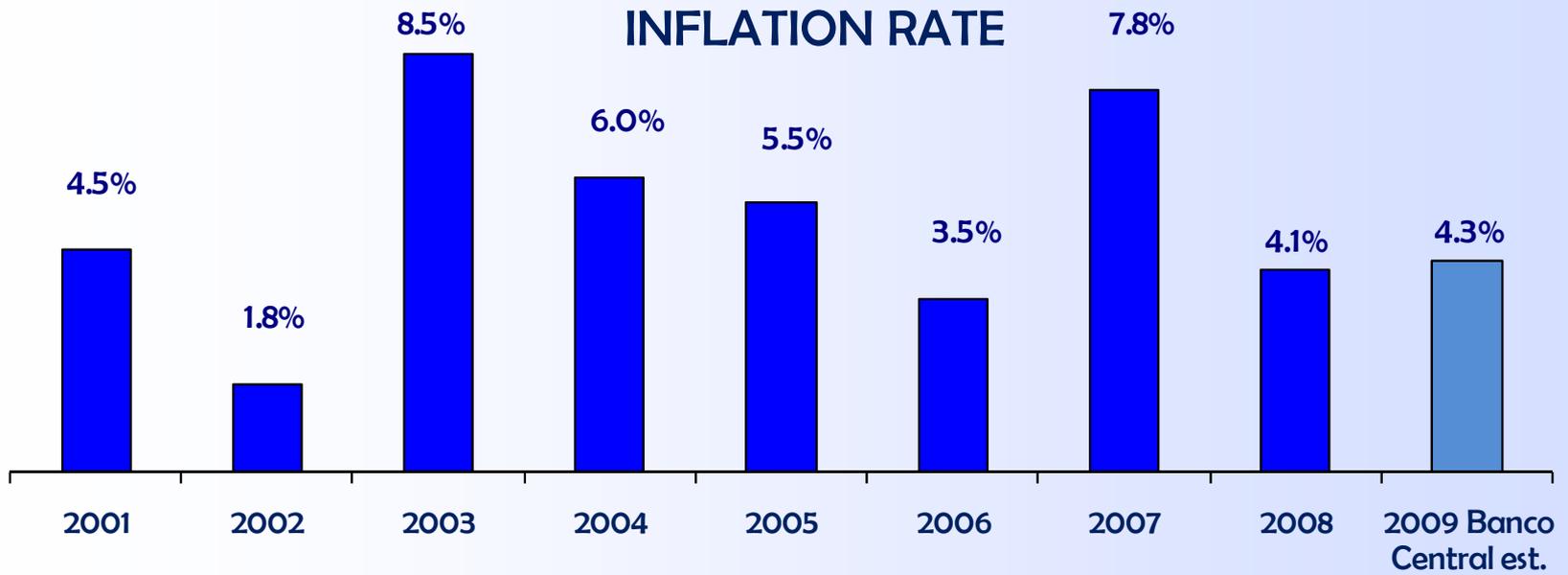
Coffee

PRESIDENT LUIS INÁCIO “LULA” DA SILVA

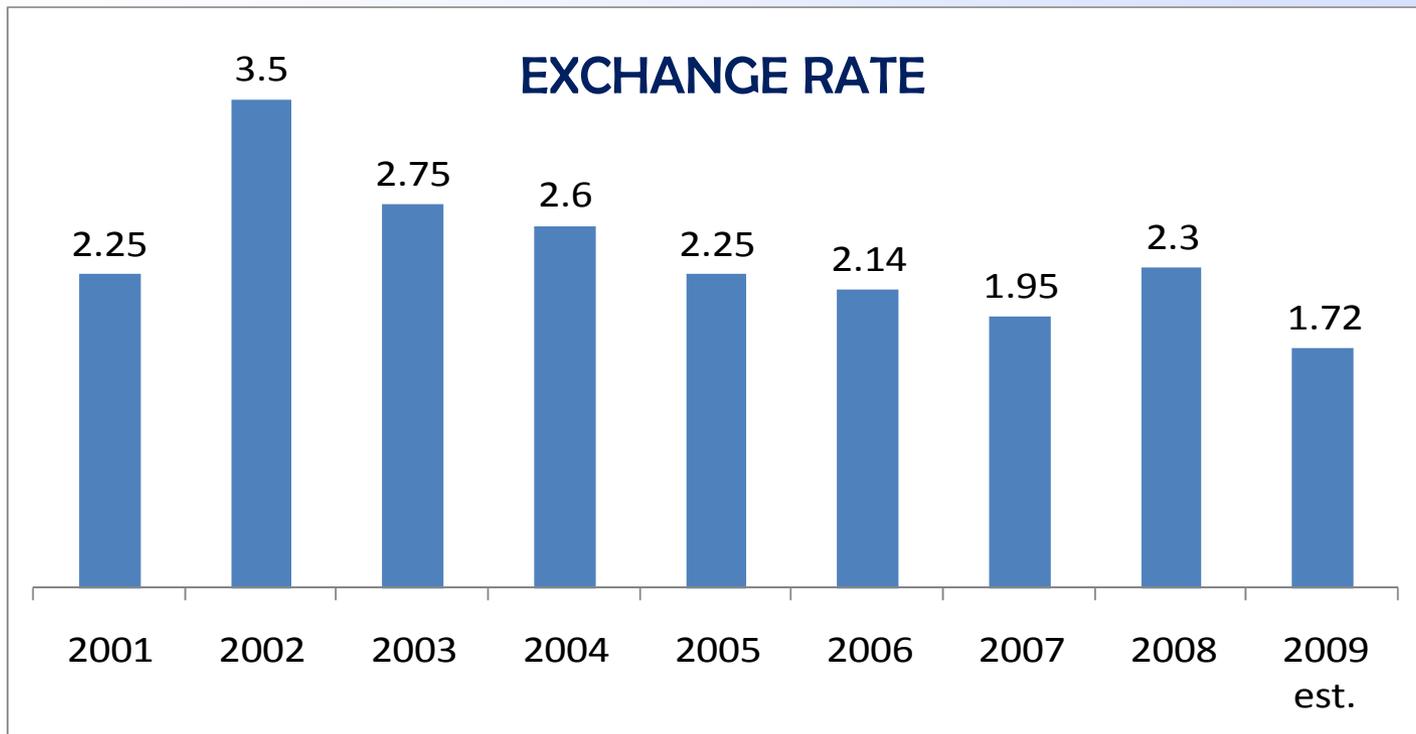
- Took office on January 1st, 2003.
- Labor Party- PT.
- First mandate - with 61.27% in 2002.
- Second mandate - with 60,83% in 2006.
- Elections October 2010.



INFLATION RATE

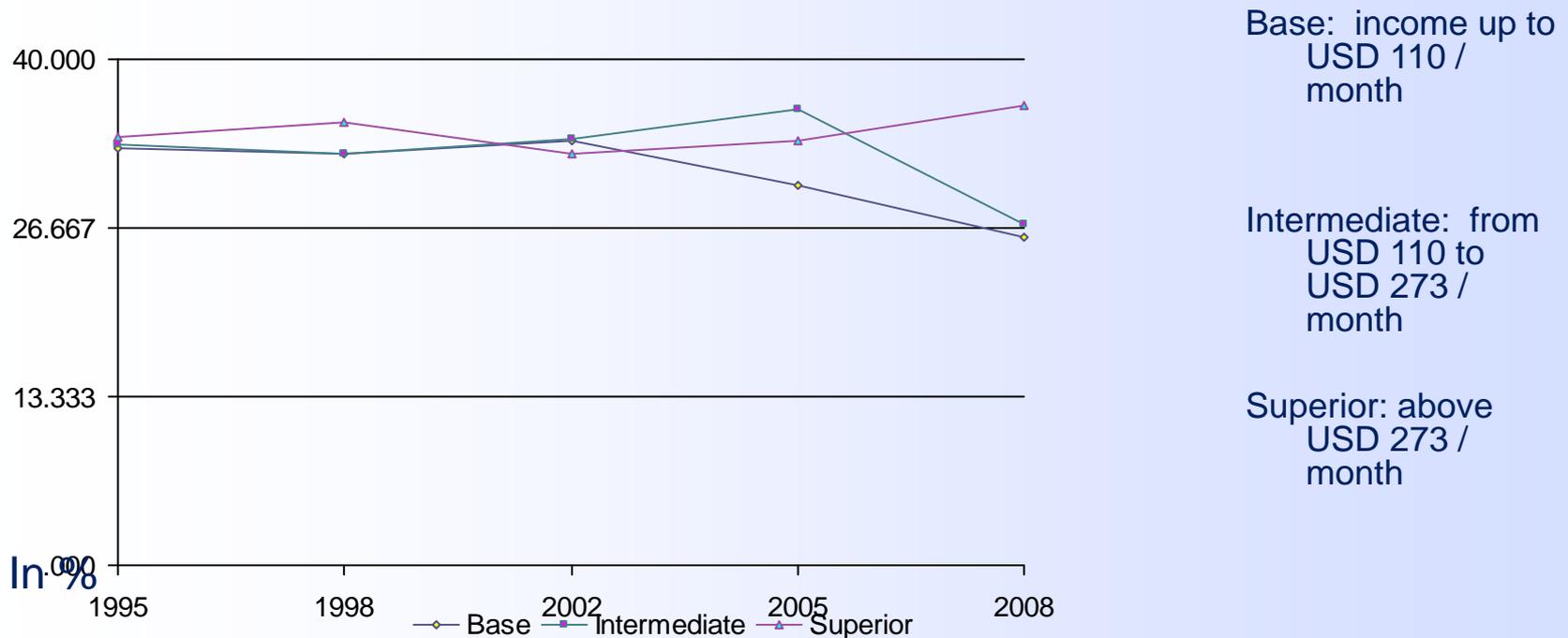


EXCHANGE RATE

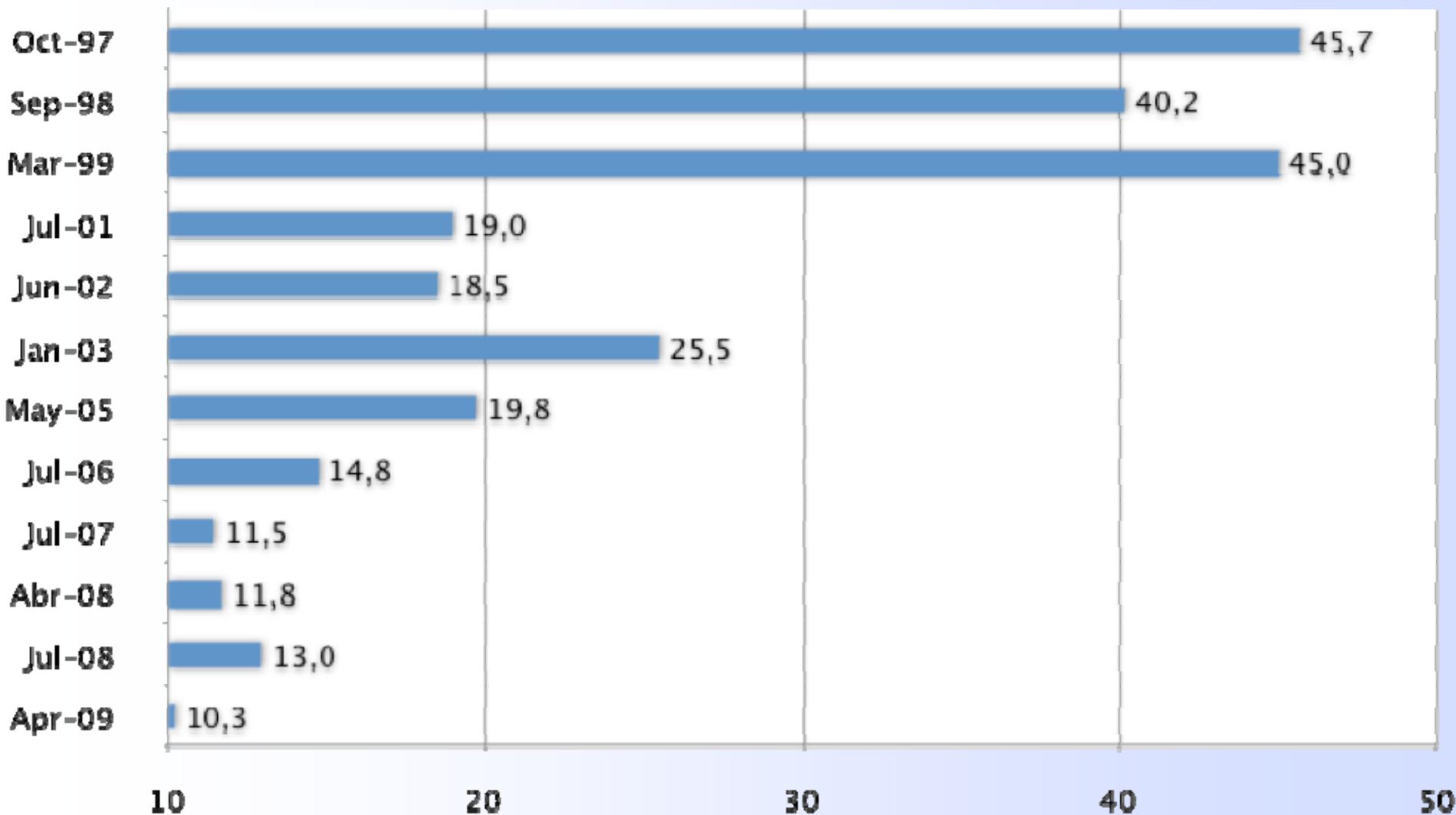


In 3 years, 18.5 mi of Brazilians moved to a higher income level

- 11.7 mi left the lower level between 2005 and 2008
- 36.6% achieved the superior income level in 2008, highest index registered since 1995
- 71% of the change in the base of the pyramid (to the intermediate level) occurred in Southeast and Northeast
- 19.5 mi had a real increase in the individual income superior to the per capita income national evolution between 2001 and 2008



Prime rate (Selic) in Brazil has reached the lowest historic level (in %)

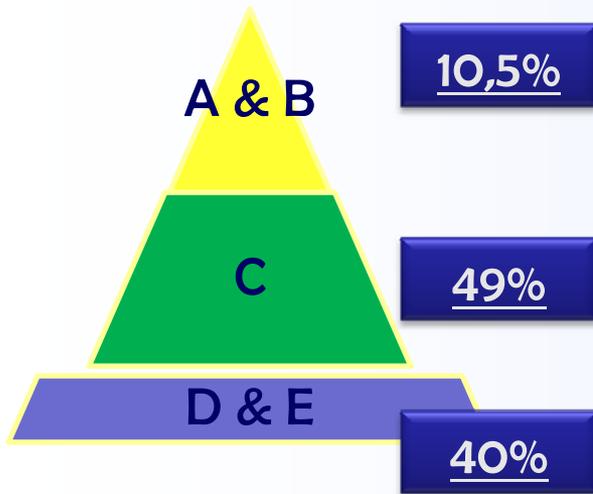


UNDER LULA - ACCESS TO CREDIT

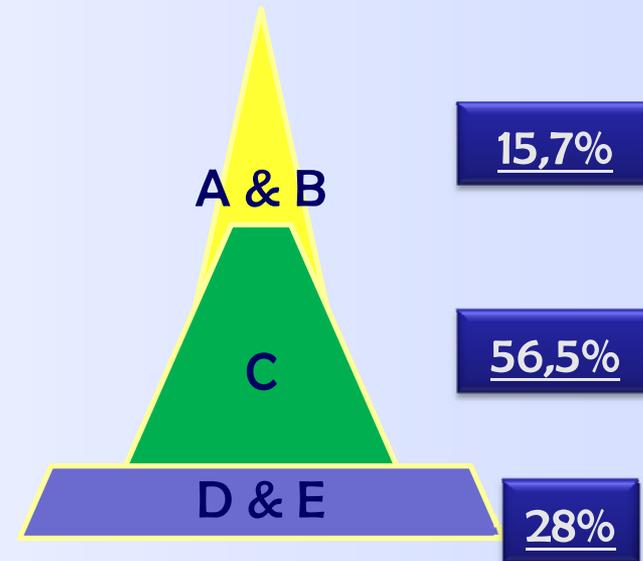
- ❑ More than 4.5 million new jobs created in formal sector.
- ❑ The lowest inflation rates in decades 2000-08.
- ❑ Expansion of purchasing power and credit and for millions although some contraction in 2008
- ❑ Lula Administration's emphasis on lowering public debt and reducing real interest rates will expand bank credit to businesses for investment.
- ❑ Spreads (the difference between banks' cost of funds and their lending rates) is highest in the world.

Income Pyramid changes during Lula's administration ¹³

2008



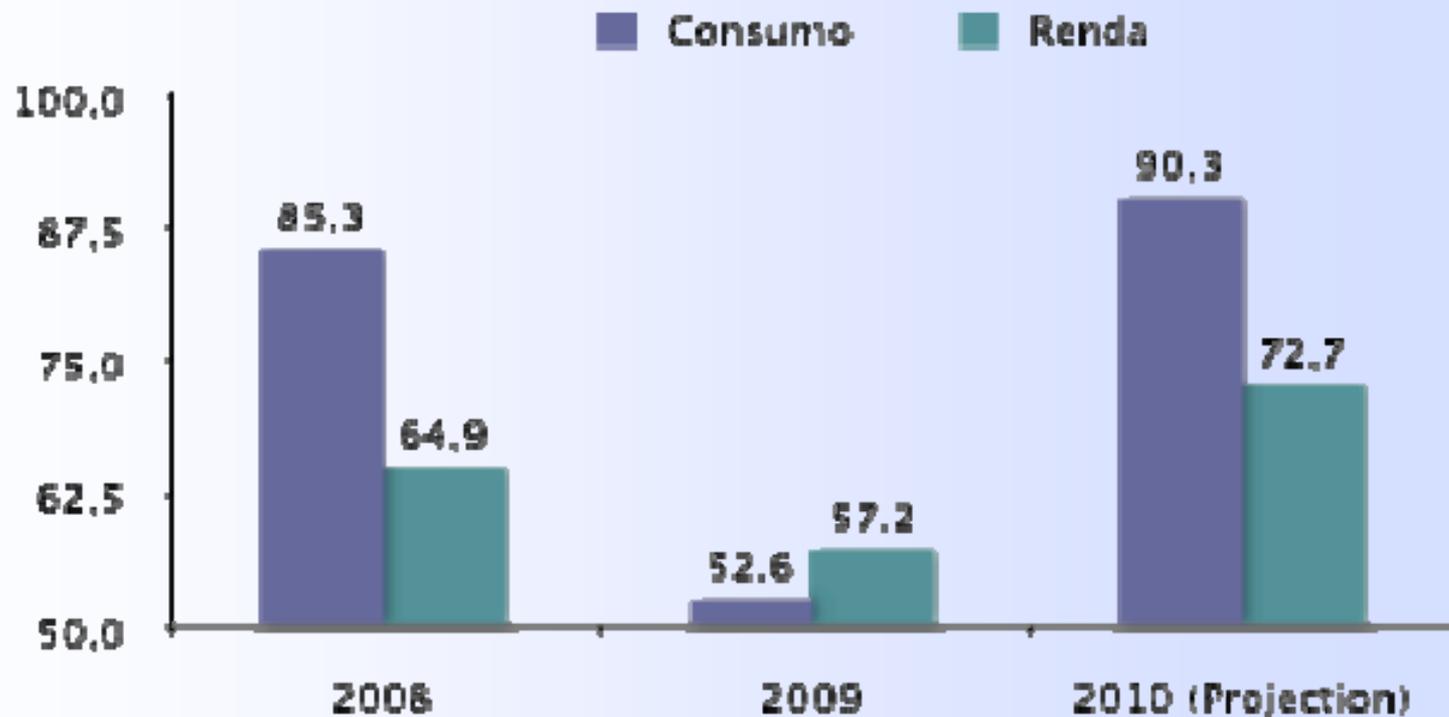
2015 projection



In 2010, R\$ 90 bi more in consumption (in R\$ millions)

Brazilians consumption in 2010 equal or more than pre-crisis.

- job growth
- income growth
- low interest rates
- credit is back
- expenses from Federal Government



The “Favela” Today



Brazil and the crisis

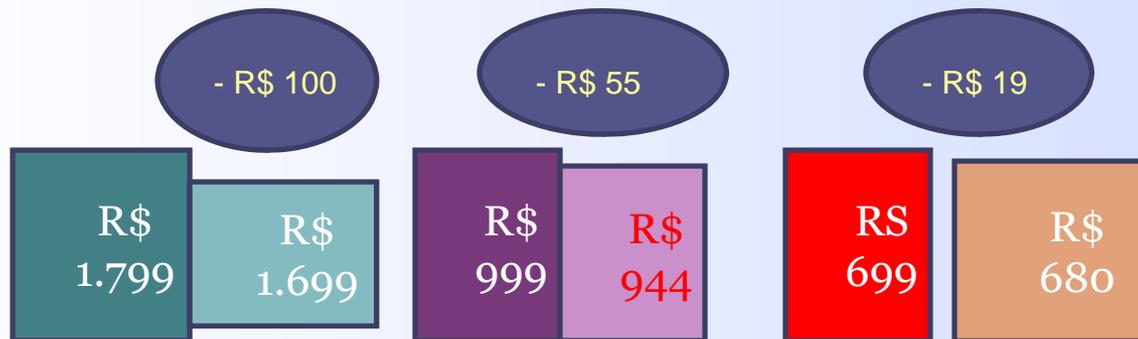
and the non-consumer market

New measures from the government

Household appliances – IPI taxes



Examples of impact on prices



Brazilian Barriers to Business

Custo Brazil

CUSTO BRAZIL: THE TAX SYSTEM

FEDERAL

- Import – II
- Export – IE
- Industrialized Products – IPI
- Credit Operations – IOF
- Rural Property – ITR
- Fortune

STATE

- Heritage and Donation – ITCMS
- Circulation of Goods and Services – ICMS
- Property of Vehicles – IPVA

MUNICIPAL

- Urban Property – IPTU
- Transmission of Property – ITBI
- Services of any Nature – ISS

(*) Pending of regulation

Hypothetical Cost Buildup for an Imported Machine in US Dollars

FOB price of Product	100,000
Freight	2,400
Insurance (1%)	1,000
CIF Price of Product	103,400
Import Duty Rate: 19% -- applied to CIF	19,646
IPI: 5% -- applied to CIF + import duty	6,152
ICMS: 18% -- applied to CIF + import duty + IPI	23,256
Merchant Marine Tax: 25% of ocean freight cost	600
Warehouse: 0.65% of CIF; or min. US\$ 170, max US\$ 235	235
Terminal Handling Charges: average US\$ 100 per container	100
Contribution to Custom Broker's union 2.2% CIF; or min of US\$ 71, max US\$ 160	160
Custom Brokerage Fee: average 0.65% of CIF or min US\$ 170, max US\$ 450	450
SISCOMEX Fee	30
Typical Cargo Transportation charge	35
Typical Bank Costs: 2% of FOB	2,000
FINAL COST	156,064

Infra-structure Matters in Brazil

□	BR	US	Difference
• Soy production costs	187	238	51 dollars cheaper in Brazil
• Transportation costs	97	26	71 dollars cheaper in U.S.
• Port costs	7	3	4 dollars cheaper in U.S.
• Total	291	267	24 dollars in favor of USA

- Conclusion:

- To produce soy in Brazil is 51 dollars cheaper than in the US. But the logistics costs not only eliminate this advantage but inverts the equation. At the end, it is 24 dollars cheaper export from the US than Brazil.



IPOD INDEX

iPod prices around the world

Here is the CommSec iPod Index, based on January 2007 prices for 2GB iPod Nanos.

1	Brazil	\$327.71
2	India	\$222.27
3	Sweden	\$213.03
4	Denmark	\$208.25
9	United Kingdom	\$195.04
23	United States	\$149.00
24	Japan	\$147.63

Economic Indicators

2010 Estimates

- ❑ GDP: 5%
- ❑ Growth Rate: 4,83 %
- ❑ Inflation Rate: 4,29% year (still working with 2009 estimates)
- ❑ Foreign Direct Investment : US\$ 35 Billion
- ❑ SELIC at 10,50 % year
- ❑ Foreign Exchange Rate: 1 USD = 1.7 Reais
- ❑ Unemployment Rate: 7.4% (still working with 2009 estimates - nov 2009)

Best Prospects for Sales to Brazil

1. Agricultural Sector
2. Aerospace (Aircraft and Parts / Airports)
3. Electrical Power Systems
4. Environmental
5. Franchising
6. ICT - Information & Communication Technologies
7. Insurance
8. Medical Equipment
9. Mining
10. Oil and Gas
11. Pharmaceuticals
12. Safety & Security
13. Transportation (Ports / Railways)
14. Travel and Tourism

Standards as Non-Tariff Barriers

- ❑ Standards - voluntary product requirements, in the U.S. standards development is market driven.
- ❑ Conformity Assessment - verifying the conformance of a product to a standard (SDOC, product certification, independent testing)
- ❑ Technical Regulations - mandatory requirements which may include particular standards or conformity assessment procedures.
- ❑ Regional Commercial Officer Miguel Hernandez
miguel.hernandez@trade.gov
- ❑ DOC Standards Initiative www.trade.gov/standards



Thank you !

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