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**Minas Gerais State, Brazil**



## **Doing Business in Brazil**

Since the beginning of this millennium, the Brazilian economy has changed. Brazil seems to have rooted itself in the international market and the rating agencies have elevated Brazil to investment grade.

Brazil is the seventh largest economy in the world, according to data released in the first half of 2011, registering GDP growth indexes of over 7%, and there is a possibility that it is reaching fifth by 2050. In the last five years, Brazil doubled its product sales and passed the mark of US\$ 200 billion exported in 2010.

This country has a large influence in important global markets, such as aircraft and fuels. Brazil is one of the greatest global suppliers of food products and ore.

Brazil will have to face structure challenges to consolidate itself as a country that is internationalized, in tune with the global economic and political scenario.

One of the challenges is to renew transport infrastructure, since mobility is a key concept when it comes to internationalization. Here there are good opportunities for companies that want to invest on improvement of roads, the railway network and shipping sector, reducing constraints in ports like Santos and giving a good structure to ones like Rio de Janeiro.

Brazil is the 6<sup>th</sup> in the world for foreign investments. Multinational companies in Brazil reached historic levels in 2010, when foreign direct investments hit more than US\$ 48 billion, up 87% over the previous year. The USA topped the list with US\$ 190 billion and China came in second with US\$ 105 billion. The third was Hong Kong, followed by France, Belgium and Brazil, according to preliminary data from UNCTAD (United Nations Trade and Development).

For 2011, the expectation is that direct investments in Brazil will surpass US\$ 60 billion.

The domestic market is heated, and the auto industry is expected to be one of the sectors to be most favored by direct investments for the expansion of production and the building of new plants in coming years. The oil, gas and chemicals areas accounted for about 24% of FDI, the mining sector accounted for 12.7% of FDI, followed by the metallurgy industry with 6.7% of the investments.

An interesting note: Brazil became the 4<sup>th</sup> largest vehicle market in the world in 2010.

The Brazilian exports have become more focused on commodities in recent years, with 44.6% of exports in dollar terms, followed by manufactured goods, 39.4% and 16% for semi-manufactured goods.

The main commercial partners of Brazil are China, United States, Argentina, Germany and Japan.

The products ranking of Brazilian exports indicates ores at the top agenda, followed by (2) oil, (3) autos and parts, (4) soybeans, (5) sugar, (6) iron and steel, (7) paper and pulp, (8) poultry, (9) chemicals and (10) coffee.

### **Brazilian ports**

With a coast with 8500 km that are navigable, Brasil has in its ports the bigger drain of its exports. The port system is composed by 37 public maritime and fluvial ports.

The total cargo movement at the Brazilian ports in 2010 was the record of the country history, registering more than 833 million metric tons. The main contribution was due to the increase of iron ore movements (311 million metric tons). The liquid bulks (fuel and oil) and general cargo (metallurgical products, paper and pulp and containerized cargo) followed the contribution for this performance.

Five ports in Brazil are responsible for the great part of general cargo movements of all Brazilian ports: Santos, Itaguaí, Paranaguá, Vila do Conde and Rio Grande.

The port of Santos is the one that has the most expressive increase and participation in the movements of tonnages (approximately 85,5 million metric tons in 2010), with highlights on sugar, containers, corn, soybeans and fuel.

The port of Itaguaí, near Rio de Janeiro, has representative movements on cargo like alumina, metallurgical coal, stone coal, containers and metallurgical products.

The port of Paranaguá, has representative participation on movements of sugar, containers (exports), soybeans, corn and fertilizers.

Rio Grande, in the extreme south of Brazil, has expressive movements of fuel and oil, containers (exports), fertilizers and soybeans.

But the port that has the biggest movements in Brazil is Tubarão, a private terminal that belongs to Vale, specialized in the in the movements of iron ore (107.7 million metric tons moved in 2010).

According to the Brazilian Government, the Brazilian ports are supporting well the needs of the country, in terms of what is needed to assure the exports and imports. But the investments to meet the requirements of the future must be made today. The policy of investments on maritime and fluvial infrastructure is expected to be steady, to assure the private investments too, as it happens in Santos today.

Until 2024, the port of Santos will be three times bigger than today in terms of cargo volume and containers capacity, and the rail system is going to be a priority for development, reducing the constraints in the port.

Many private investments are expected for the containers area, general cargo, liquid bulks and etanol exports, and will be the indication that the increase of the Brazilian economy will be supported continuously.

The expectation is that, due to the size of the country and the distances to win, big investments will be necessary on intermodal integration, focusing rail and hydro systems.

All of that give us the indication that a new economic cycle is opened in the port of Santos, reinforcing its strategic position. And this is going to be followed in other Brazilian important ports.

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