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## FCO COUNTRY UPDATES FOR BUSINESS

# Brazil: Visit by the Secretary of State for Business, Innovation and Skills: Scene-setter

British Embassy Brasilia

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## Summary

1. The Business Secretary will be the first Minister from the new Government to visit Brazil - putting into practice the Government's aim of deeper engagement across the board with emerging countries. The UK/Brazil JETCO is the centre-piece. An "Invest in the UK" seminar and meetings with Ministers and senior officials in Sao Paulo, Brasilia and Rio de Janeiro offer a chance to make a difference to the UK reputation. The Business Secretary will find a country full of optimism and in the midst of election campaigning.

## Detail

2. The Secretary of State for Business, Innovation and Skills will visit Brazil 31 August to 3 September, the first Ministerial visit in either direction since the UK elections in May. He will be accompanied by a high-level business delegation of over 30. This is a key opportunity to demonstrate to Brazil that the UK Government means what it says about engaging more substantively with emerging powers - Brazil is the emerging power of the Americas.

## Brazil today

3. Brazil dominates South America, making up more than half of the continent's total GDP. The economy of Sao Paulo state alone is bigger than those of Argentina and Chile combined. Brazil's economy, in nominal terms, is larger than India's, and a GDP per capita of approx US\$5,650 per year helps to highlight that Brazil is, in many ways, a middle-income country.
4. It is important to take in the scale of Brazil. Bigger than the continental US, Brazil is home to the world's largest tract of virgin rainforest - the size of the EU, a fifth of its freshwater and a third of its biodiversity. It has huge mineral wealth, including up to 50 billion barrels of oil and gas, yet maintains one of the world's cleanest energy matrices (47% from renewable sources) and is a world-leader on, and exporter of, biofuels (ethanol from sugarcane) without impact on rainforest. 94% of all new cars run on any mixture of ethanol and petrol.
5. The first round of Presidential, Parliamentary and State-level elections will take place on 3 October. The Business Secretary will witness first-hand a vigorous campaign. Whatever the result, the Brazilian democratic process is robust and economic orthodoxy will continue.
6. Confidence and optimism abound. Low external debt, a balanced economy, strong domestic demand and sophisticated financial

regulation helped Brazil weather the economic crisis and emerge quickly and strongly. Growth this year could reach 7%, and forecasts for future years show continued strong expansion. Attracted by a market of over 193 million, economic and political stability and a strong currency, investors from all over the world are looking closely at Brazil.

## **The visit**

- 7.** The World Cup in 2014 and the Rio Olympic Games in 2016 are specific attractions, including for UK companies, and the Secretary of State will be accompanied by companies keen to win Olympic business. Meetings with the Sports Minister and the Chairman of the Brazilian Olympic Committee will provide opportunities to demonstrate what those companies can offer.
- 8.** Opportunities abound in other sectors too. For UK business, Oil & Gas is key. Petrobras, Brazil's state-controlled oil giant, is South America's largest company and, under new legislation, plays the dominant role in exploiting Brazil's huge pre-salt oil reserves - they plan to invest US\$224 billion in the next 5 years. BG, BP, Shell and other UK companies are major players in the sector already and are looking to take advantage of future opportunities. The Secretary of State will meet senior management at Petrobras and the British oil and gas companies operating in Brazil.
- 9.** HMG and UK companies are now prioritising Brazil as a defence sales market. The Secretary of State will see the Defence Minister to help identify opportunities for UK companies in the sector.

## **JETCO**

- 10.** Central to the visit will be the Secretary of State's co-chairing of the annual Joint Economic and Trade Committee (JETCO) with his opposite number, Miguel Jorge. The JETCO provides the central opportunity to bring together Government-to-Government discussions on bilateral trade and investment. This year, the key deliverable will be the inauguration of an enhanced level of private sector interaction through a UK/Brazil CEOs Forum. This will also be the primary opportunity to press for resolution on irritants for UK plc in general or specific companies. Discussions around the JETCO and in Brasilia will provide an opportunity to engage with the Brazilian Government on the Doha round and a EU/Mercosul free trade agreement.
- 11.** Linked to the JETCO, a major seminar on investing in the UK, hosted by the Confederation of Sao Paulo industries, will provide the Secretary of State with an opportunity to highlight the attractions of doing business in the UK. The UK has not been a natural FDI location

for Brazilian companies, but we are keen to show that the UK is the best location to set up for the European market.

### **Challenges remain for Brazil**

- 12.** Doing business in Brazil can be difficult. It ranks 129th on the ease of doing business index, alongside India. Infrastructure is creaking and needs the planned major investment to enable sustainable growth. Structural reforms are crucial, especially in tax, social security and labour rights. On the environmental side, Brazil's rapid development could be a challenge to green growth. Investment in new renewable energy and robust sustainability criteria for its timber, beef, soya and biofuels are a key part of this.

### **UK Opportunities**

- 13.** Tackling these challenges is in our mutual interest, and a strengthened bilateral partnership, kicked off by the Secretary of State's visit, is crucial to this.

Contact your regional trade team for more information on doing business in Brazil:

<http://www.ukti.gov.uk/export/unitedkingdom/contactus.html>

Alternatively, find out more about this market here:

[www.ukti.gov.uk/export/countries/americas/southamerica/brazil.html](http://www.ukti.gov.uk/export/countries/americas/southamerica/brazil.html)