



# Doing Business in Brazil

**Brazil is the largest country in both South and Latin America and is home to the world's eighth largest economy by nominal GDP and purchasing power parity. The Brazilian economy is characterized by a mixed economy that relies on import substitution to achieve economic growth. Brazil has an estimated US\$21.8 trillion worth of natural resources which includes vast amounts of gold, uranium, iron, and timber. This BRIC country offers interesting business opportunities for Dutch companies, particularly in the agriculture, energy, and water & waste sectors.**

Trade between the Netherlands and Brazil started as early as the 16<sup>th</sup> century. Today, the Netherlands is the largest European investor in Brazil. After several years of recession and economic difficulties, the Brazilian economy is clearly showing signs of recovery: the economy is growing again, unemployment has gone down and inflation rates have steadily dropped. Both imports and exports increased strongly in 2017. The outlook for the coming years is optimistic, as GDP is expected to grow with over 2% in both 2018 and 2019.

Challenges for the longer term do remain, however, such as reform of the fiscal and welfare system, the fight against corruption and reducing the burden of bureaucracy. The unpredictable elections in October 2018 also bring political uncertainty. Companies that are exploring opportunities in Brazil

need patience and a longer term vision. But there is a lot to gain: with over 200 million inhabitants and a GDP of USD 1.796 billion, Brazil has the largest population and the largest economy of Latin America. With abundant resources and growing technology and science investments, Brazil offers ample of opportunities in a wide variety of sectors, such as agriculture, energy, water, waste, infrastructure, and health, among others

## Agriculture

Agriculture is the principle source of income and prosperity for many regions in Brazil. More than 32 million people are directly or indirectly employed in the agricultural sector and this is more than 33% of the total working population. In the past years, even

during the economic recession agriculture has shown steady growth. It contributes approximately 24% to the national GDP.

Brazil is an agricultural superpower, belonging to the world's largest producers and exporters for many commodities. The main products (in value and quantity) include soya, meat, sugar, maize, milk, coffee and orange juice. Not only is Brazil self-sufficient in terms of food production, it is currently producing enough to feed an additional 1.2 billion people. Sustainable production, conservation and responsible use of its natural resources are important elements in the long-term Brazilian agricultural policy.



Brazil has a large trade surplus for agricultural products; but despite this there are still many export opportunities for Dutch companies. These include high value propagation material, seed, genetics and products with added value, but also (knowledge on) advanced and sustainable production technology, agro-logistics, storage and processing. Although bureaucracy is high and there are still many (import) taxes and levies limiting growth and investment, there are currently many large Dutch agriculture related companies doing business in and with Brazil. On top of its food producing capacity and potential, with a view to feed another 2 billion people in the coming 40 years, Brazil is also a large producer of agro-energy. An estimated 30% of the country's energy consumption is sourced from agriculture, including ethanol, biodiesel and biogas.

## Energy

The Brazilian oil & gas market has enormous potential, proven reserves are among the largest in the world. Recently the offshore sector has opened up for foreign competition in exploration and production. The regulatory environment and predictability surrounding (future) tenders have improved, while local content requirements have been reduced. The aim of the changes in legislation is to create an internationally competitive level playing field, in order to attract foreign investment, lower production costs and welcome the introduction of new technologies. The result is a much healthier sector, despite the remaining challenge that the regulatory environment poses.

The Brazilian oil & gas industry accounts for 13% of the national GDP and 50% of the internal energy demand. According to the National Petroleum Regulatory Agency (ANP) there are about 100 economic groups active in exploration and production and more than 120.000 players in distribution and sales of fuel. These recent developments, in combination with Brazil's huge offshore resources and large internal market, have raised business confidence. The bidding rounds at the end of 2017 for offshore fields were a success and attracted the interest of a range of well-funded international oil majors and independents. Expected foreign direct investment in the coming years amounts to USD 60 billion.

The economic network of the Netherlands is preparing a business development plan to identify opportunities for Dutch companies in the Brazilian energy sector. These opportunities are in the short term in fossil fuels (both oil and gas), as it is foreseen that the traditional 'carbon-based' energy sources will continue to dominate the near future and investment is focused on these segments. It may be also worthwhile to pre-position your company in order to seize the more distant opportunities in renewable energy sources: bio-fuels and other types of biomass, wind and solar energy, as well as new developments in energy efficiency will increase their share in the energy mix of this enormous country.

## Water and waste

Brazil is a land of contrasts: it holds the largest fresh water reserves in the Amazon basin, but also has drought stricken areas and floods in the southern parts. It has more than 10.000 kilometers of coasts, leading to both challenges and opportunities for various types of expertise, knowledge, products, instruments and services that can be provided by the Dutch top sector Water. The unpredictability of the rains and the ever decreasing ground water levels, urge Brazil to look for alternatives to hydro power, and find suitable water management solutions to maintain its strong agricultural position. The strong urbanization in Brazil requires for smart solutions in the field of sanitation and drinking water. There is an increasing awareness in Brazil that concepts like circular economy and resilience can help address these challenges, and since many Brazilian civil engineers have studied in the Netherlands, experts are aware that the Dutch have a lot to offer in this regard.

## Do's and don'ts in Brazil

### Personal relationships

Brazilians are known as friendly and extroverted people. They often like to talk about their personal life and to hear personal details from their business relations. It's important to them to get to know their business partner, to make sure (s)he is reliable, before doing business with him/her. Personal contact is essential to building a successful business relationship, so do spend some time on personal contact and don't jump straight to business. Show curiosity about the country and its culture, and discuss some general topics such as family life at the beginning of a meeting. Once a business relationship is established, it's important to maintain it. Try visiting Brazil at least once a year to see how things are going and visit your business partners, or alternatively invite them to the Netherlands.

### Act responsibly

- Corruption can pose a serious barrier for doing business in Brazil, be aware of this.
- Dutch businesses are expected to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.

## Business etiquette

- Although Brazilians are generally quite informal, they do like to use titles. The title doctor (Doutor – Dr. for men, Doutora – Dra. for women) is often used to be polite and doesn't necessarily imply an academic qualification.
- Unlike its Latin American neighbors, the last surname is usually the main surname in Brazil. Dra. Paula Lopes Pereira will be called Doutora Pereira or simply Doutora Paula).
- If you don't master the Portuguese language, have your business conversations in English, not Spanish. Brazilians are proud of their country and don't understand it if a business partner does take time to learn Spanish, but not Portuguese. Using a few words of Portuguese in a conversation generates a lot of goodwill. Note that Brazilian Portuguese is different from Portuguese in Portugal.
- Bring a small Dutch gift or souvenir and invite your business relation to dinner.

## How can we support your business?

If your company is in need of support, do not hesitate to contact the economic network of the Netherlands in Brazil (contact details below). Our main services are as follows:

- Finding potential business partners
- Providing information on sectors and rules and regulations
- Advising on the ecosystem players
- Supporting trade missions and visiting programs to Brazil
- Organizing meetings with relevant authorities
- Monitoring business opportunities
- Advising on available instruments and services.

### Business Partner Scan (BPS)

A Business Partner Scan is an overview of possible business partners with their contact information in a target country. These business partners are personally approached by the Embassy's economic team and have indicated they want to come into contact with the Dutch company requesting this service. Dutch companies can profit from the government's extensive network of offices abroad, local market knowledge and know how to deal with language and cultural barriers.

## Starters International Business (SIB)

This program aims to support companies likely to be successful with their first steps in a foreign market. Companies can apply for a voucher worth € 2,400 that can be used for individual coaching support supplied by various agencies, such as the chamber of commerce, various trade associations and consulting companies.

## Partners for International Business (PIB)

Create market entrance and long-term positioning of clusters of Dutch SMEs in promising markets with the help of the unique role of the government. Promotional activities include missions, seminars, liaison, Holland branding and promotion materials.

## Relevant links and contacts

Netherlands Embassy in Brazil:

<https://www.nederlandwereldwijd.nl/landen/brazilie>

Brazil Embassy in the Netherlands:

<http://haia.itamaraty.gov.br/en-us/>

Dutch Chamber of Commerce in Brazil:

<http://www.dutcham.com.br/>

Contact the economic network at:

[Sao-ea@minbuza.nl](mailto:Sao-ea@minbuza.nl) for São Paulo, Mato Grosso do Sul, Paraná, Santa Catarina en Rio Grande do Sul states;

[Rio@minbuza.nl](mailto:Rio@minbuza.nl) for Rio de Janeiro, Espirito Santo and Minas Gerais (except Chapadões do Paracatú district) states;

[Bra-ez@minbuza.nl](mailto:Bra-ez@minbuza.nl) for the Federal District, the Chapadões do Paracatú district, and all other states in Brazil.

Official name	Federative Republic of Brazil
Government type	Federal, presidential, constitutional republic
Population	209,8 million
Area	8,515,767 km <sup>2</sup>
Time difference	UTC -2 (winter time) , -4 (summer time)
Currency	Brazilian Real (BRL)
GDP growth rate	1% (2017)
GDP per capita	USD 8.649,9 (2016)
Trade volume	USD 368,49 billion, Total Export USD 217,74 bn., Total Import USD 150,74 bn. (2017)
Inflation	2.9% (2017)
Global Competitiveness Index	80 <sup>th</sup> (2017)
Ease of Doing Business	125 <sup>th</sup> (2017)
Global Corruption Index	96 <sup>th</sup> (2017)
Main trading partners	China, USA, Argentina, The Netherlands, Japan
Major exports	Oil seeds, ores, slag, ash, mineral fuels, vehicles, meat, machinery, sugar, iron and steel
Major imports	Mineral fuels including oil, electrical machinery, equipment, machinery, vehicles, organic chemicals, fertilizers and pharmaceuticals.
Netherlands FDI in Brazil	EUR 10,948 billion (2016)
Dutch-Brazil trade	EUR 7,529 billion

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<https://www.nederlandwereldwijd.nl/landen/brazilie>

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