Doing Business in Brazil, Chile & Colombia Webinar
Conference of Great Lakes and St. Lawrence Governors and Premiers

Conference formed in June, 2015.

Chief executives of Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Ontario, Pennsylvania, Québec and Wisconsin are working as equal partners to grow the region’s $5 trillion economy and protect the world’s greatest freshwater system.

The Council of Great Lakes Governors serves as secretariat.
July 27, 2015

“DOING BUSINESS IN BRAZIL”

Vania Zulatto
Claudia Tomaselli
Conference of Great Lakes and St. Lawrence Governors and Premiers
BRAZIL IN BRIEF

A Macroeconomic Overview

WHY BRAZIL?

Opportunities & Challenges

HOW TO ENTER THE MARKET?

Strategies for Success
BRAZIL IN BRIEF

The Second Largest Economy in the Western Hemisphere
The First Economy in the Southern Hemisphere
Brazil in the World Market

- 1st producer of sugar, coffee, orange juice and soy beans;
- 1st producer of regional aviation jets;
- 2nd largest producer of ethanol, beef, tobacco, leather and fur and iron ore;
- 3rd largest producer of chicken meat, soda drinks and shoes;
- 4th largest producer of commercial aircraft;
- 4th largest consumer market in the world;
- 4th largest producer of automobiles;
- One of the most modern telecommunications and cutting-edge bank systems
- Among the world’s top generators of renewable and electric energy
- Has the largest reserves of iron ore, bauxite, manganese, tin and gold
- Massive pre-salt offshore oil and gas deposits
- 12% of the world’s fresh water and 22% of the world’s arable land.
- 2,000 U.S. companies are active in the Brazilian market (2010)
Brazil at a Glance

- Size: 3.3 million sq miles  Population: Almost 200 million inhabitants
- 7th biggest economy in the world > *Italy, Russia and India*
- GDP: $2.246 trillion in 2014 (*0.1% growth Q3 2014*)
- Per capita $16,100.00 (2014)
- Low unemployment 4.3% (*Dec.2014*)
- Trade Surplus US$293 million (*Dec.2014*)
- Inflation Rate 6.99% (*Dec.2014*)
- Interest Rate 13.75% (*June 2015*)
- Foreign Exchange reserves US$ 376.360 million (*Dec.2014*)

Source: Brazilian World Bank, Brazilian Central Bank, MDIC
Growth Before, After Financial Crisis

The economy

GDP:
Average annual % increase:
- 2002-08 pre-financial crisis
- 2011-14 post-financial crisis

Brazil's GDP:
% change on a year earlier

Sources: INE; Central Bank of Brazil
*INF Estimate
#Based on Central Bank poll of market participants

Source: The Economist
WHY BRAZIL?

- Top 10 largest Economies in the World
- Strategic location
- Leading regional economy
- Huge domestic market/expanding middle class
- Abundant Natural Resources
- Major infrastructure projects
- Olympic Games
- Agribusiness and Aerospace Industries
- Global Player
Great Lakes Exports to Brazil

2014 figures: USD 8,689,441,223

Key Products:

- Machinery
- Chemicals
- Transportation Equipment
- Newsprint
- Computer and Electronic products
- Electrical Equipment
- Turbojets, turbopros
- Aircraft launch apparatus
- Medical
- Auto
Best Prospects for Brazil

- Aerospace/Aviation
- Agriculture Equip & Svcs.
- Food, Equipment & Services
- Airports
- Apparel/Textile & Equipment
- Archit., Construct. & Engineering Svcs.
- Automotive
- Beauty & Cosmetics
- Biotechnology
- Building Products
- Chemicals & Chemical Equip.
- Defense
- Drugs and Pharmaceuticals
- Education & Training
- Electrical Power & Renewable Energy
- Environmental Technologies
- Financial Services
- Food Processing & Packaging
- Franchising
- General Industrial
- Healthcare
- Hotel & Restaurants
- IT Hardware & Software
- Mining
- Oil & Gas
- Pharmaceutical/Nutritional Supplements
- Processed Foods
- Retail
- Safety & Security
- Scientific & Lab Instruments
- Services (Professional, Training & Consult.)
- Sporting Goods and Recreation
- Telecommunications
- Transportation
- Travel & Tourism

Source: U.S. DOC
### Advantages

- Growing consumer market
- Diversified/sophisticated industry
- Geographical proximity to the US
- Brazilians receptive to US culture/products

### Challenges

- High import tariffs (0-20%)
- Burdensome regulations
- Slow/bureaucratic customs system
- European /Asian competition
- Informal Economy
Hypothetical Cost Buildup for Imported Machine (US$)

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

- Visit the Market
- Learn local culture and business practices
- Continental dimensions = internal regional differences
- Establish long term partnerships – getting personal is important /sometimes needed!
- Local presence is crucial
- Meet partners face to face (keep visiting the market !)
- Due diligence
- Be flexible and innovative with your negotiations
- After sales and technical assistance are essential
- Translate your catalogs into Portuguese (shows your commitment to the market)
- Be fast on your follow-up / give support to your rep.
Thank you / Obrigada!

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CHILE & COLOMBIA: DOING BUSINESS IN THESE DYNAMIC ECONOMIES

JULY 2015
A Look at Chile: Latin America’s “Dragon”
Chile at a Glance

- **Area**: 291,930 mi²
- **Population**: 17.62 M
  - **Growth rate**: 0.83%
- **Language**: Spanish
- **Capital**: Santiago 6.5 M
- **Other Urban Centers**:
  - Valparaiso 902,000
  - Concepcion 806,000
- **Workforce**: 8.5 M
- **Life expectancy**: 79.57 yrs
Why Choose Chile?

1. **Highly competitive, dynamic and globally integrated economy:** among the highest growth rate economies in the world

2. **Institutional and financial strength:** low country risk

3. **Tax friendly economy:** Chile's corporate income tax rate is 22.5%, one of the lowest corporate income tax rates worldwide

4. **High transparency:** 2nd in Latin America, 21st place among 175 countries worldwide

5. **Great business environment and economic freedom:** #1 in Latin America, 10th place among 174 countries worldwide

6. **Highly skilled and competitive human resources:** labor costs in Chile are competitive compared to the USA and European countries.

7. **Excellent transport infrastructure** and connectivity to the world
Chile’s Main Industries

- **Largest Sectors**: copper, lithium, other minerals, foodstuffs, fish processing, iron and steel, wood and wood products, transport equipment, cement, textiles

- **Agricultural Products**: grapes, apples, pears, onions, wheat, corn, oats, peaches, garlic, asparagus, beans; beef, poultry, wool; fish; timber
Colombia: LA’s Most “Business Friendly” Country
Colombia at a Glance

- **Area**: 1,147,748 m²
- **Population**: 46.35 M
  - **Growth rate**: 1.1%
- **Language**: Spanish
- **Capital**: Bogotá 9.6 M
- **Other Urban Centers**:
  - Medellin 3.85 M
  - Cali 2.61 M
  - Barranquilla 1.15 M
- **Workforce**: 23.7 M
- **Life expectancy**: 73.8 yrs
- According to EU Monitor 2012, 52.9% of population in LA was under 30, ME & Africa 66.8% and Asia 48.8%
Why Choose Colombia?

1. Excellent economic supported performance: GDP per capita at PPP has increased from US$8,268 in 2005 to US$13,046 in 2014.

2. Attractive domestic market: 47.5 million inhabitants, fourth in Latin America and the second largest Spanish-speaking country in the world.

3. Strategic location: international hub, center of 5 hourly zones.

4. Public commitment with investment: second in Latin America under terms of personal safety and suitable protection of private property.

5. Qualified workforce: second most available qualified workforce in South America (IMD, Switzerland); most productive (PriceWaterHouse 2009).

6. Good quality of life and flexible culture.
Colombia’s Main Industries

- **Largest Sectors:** textiles, food processing, oil, clothing and footwear, beverages, chemicals, cement; gold, coal, emeralds

- **Agricultural Products:** coffee, cut flowers, bananas, rice, tobacco, corn, sugarcane, cocoa beans, oilseed, vegetables; shrimp; forest products
A Side-by-Side View
## Economies at a Glance

<table>
<thead>
<tr>
<th></th>
<th>CHILE</th>
<th>COLOMBIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per Capita (PPP 2014)</td>
<td>$23,200 (highest in LA)</td>
<td>$13,046</td>
</tr>
<tr>
<td>GDP Growth (2014)</td>
<td>2.15%</td>
<td>5.10%</td>
</tr>
<tr>
<td>Inflation Rate (avg over last 5 years)</td>
<td>4.3%</td>
<td>3.46%</td>
</tr>
<tr>
<td>CGLG Exports to the Region (2014)</td>
<td>$2,623,961,918</td>
<td>$2,054,516,509</td>
</tr>
<tr>
<td>Main Trading Partners (2013)</td>
<td>#1 is US, China, Brazil, Argentina, Germany</td>
<td>#1 is US, China, Mexico, Brazil</td>
</tr>
<tr>
<td>Main Imported Goods from CGLG Members (2014)</td>
<td>Machinery; Transportation Equipment, Chemicals, Food Manufactures, Computer and Electronic Products, Electrical Equipment, Medical, Newsprint</td>
<td>Machinery; Chemicals; Computers and Electronic Products; Transportation Equipment; Manufactured Commodities; Electrical Equipment; Food products</td>
</tr>
<tr>
<td>Imports from the US (2013)</td>
<td>20.3% of imports, totaling $17.6 billion</td>
<td>27.7% of imports, totaling $19 billion</td>
</tr>
<tr>
<td></td>
<td>CHILE</td>
<td>COLOMBIA</td>
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<tr>
<td>---------------------------------</td>
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</tr>
<tr>
<td>Moody's (2015)</td>
<td>Aa3</td>
<td>Baa2</td>
</tr>
<tr>
<td>Fitch (2015)</td>
<td>A+</td>
<td>BBB</td>
</tr>
<tr>
<td>Global Competitiveness Index</td>
<td>33rd (1st in</td>
<td>66th</td>
</tr>
<tr>
<td>(2014-2015 out of 144 countries)</td>
<td>Latin America)</td>
<td></td>
</tr>
<tr>
<td>Doing Business (2015)</td>
<td>41st</td>
<td>34th, improvement from 53rd in 2014</td>
</tr>
<tr>
<td>Number of Days for Starting a</td>
<td>5.5 Days (down</td>
<td></td>
</tr>
<tr>
<td>Business (2015, Worldbank)</td>
<td>from 35 days in</td>
<td>11 Days</td>
</tr>
<tr>
<td>Cost to Import (2015 US$ per</td>
<td>$860</td>
<td>$2,470</td>
</tr>
<tr>
<td>container)</td>
<td></td>
<td></td>
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<tr>
<td>Enforcing Contracts Rating</td>
<td>64th 480 Days</td>
<td>168th 1,288 Days</td>
</tr>
<tr>
<td>(2015)</td>
<td></td>
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</tbody>
</table>
Strong Pull for FDI

Chile 29th (2014) in world in FDI
- 3rd in all of LA

Colombia 33rd in 2014, an increase from 36th in 2013
- 4th in all of LA

FDI in Latin America

Foreign Direct Investment (FDI) in Latin America and the Caribbean is expected to fall slightly this year from a record $185 billion in 2013, the regional UN body ECLAC said on Thursday.
Chile and Colombia: Open for Business
FTA’s and Global Involvement

Chile

- 23 different FTA’s covering 61 different countries, representing 90.1% of world GDP
  - TPP pending application
  - US-Chile FTA (2011)
  - 100% of exports from US duty free since January 2015

Colombia

- 15 different FTA’s covering 64 countries, comprising 66.3% of world GDP
  - 80% of exports from US duty free
  - Raised exports to Colombia by 19% since enactment
FTA Involvement: Canada

**Chile**
- FTA in force since 1997
  - Bilateral trade more than tripled since enactment to US$2.86B
  - Canadian exports totaled US$1.13B in 2014
- 2003, nearly all traded products became tariff free

**Colombia**
- FTA in force since 2011
  - Major foreign investor in Colombian mining, oil and gas explorations
- 4th largest export market in LA for Canada
  - Exports totaled US$848.5M in 2014
Begun April 2011: is a Latin America trade bloc comprised of Chile, Colombia, Peru, and Mexico

- Represents 38% of regional GDP, 50% of the total trade and 45% of the total foreign direct investment flowing into the region.

- Competitive advantages in mining, forest resources, energy, agriculture, automotive, fishing and manufacturing
Top 10 US Exports to Chile

1. Gasoline, other fuels (45%)
2. Civilian aircraft and parts (27%)
3. Computers (6%)
4. Low value shipments (5%)
5. Landline, cellular phone equipment (5%)
6. Motor vehicles for transporting people (3%)
7. Motor vehicle parts (3%)
8. Petroleum gases, 10 Commercial vehicles (2%)
9. Ethers, ether-alcohols, alcohol peroxides etc. (2%)
10. Commercial vehicles (2%)
US: Export Trends

USA Exports to Chile (US$M)

Source: Euromonitor
Canada: Export Trends

Canada Exports to Chile (US$M)

Source: Euromonitor
Opportunities for Imports: Chile

Main imports: Refined/crude petroleum, trucks, cars, aircrafts, heavy machinery, iron and steel, & telecommunication devices

Growing Opportunities in:
- Mining, Construction, and Energy Machinery
- Agriculture and Food Processing Machinery
- Healthcare Equipment
- Cars and Auto Parts
- Water Desalination
Opportunities: Mining and Construction

Imports of construction equipment totaled US$1,257M in 2013, growing 6.5% from the previous year.

- High-tech building materials and capital equipment offering high levels of efficiency are main areas.
  - Earth Moving Equipment
  - Concrete Technology
  - Energy Efficient
Opportunities: Energy

2015 est. imports totaling US$2.8B, with new construction to keep up with 5-6% growth in energy consumption throughout Chile.

- Government dedicated to growth of renewable sector by 15% by 2024.
- Power generation and transmission investment will require direct investment and supplies.
Opportunities: Healthcare

US$ 2.2 B healthcare investment plan, including the construction of six new hospitals and the expansion/modernization of 56 older public hospitals

- Most of market covered through imports, estimated at US$488M for 2015
  - Expansion will require large investments in:
    - autoclaves, surgical tables, disposable and non-disposable surgical instruments, cardiology equipment, ventilators, infusion pumps, aspiration pumps, central monitors, incubators, trauma equipment, anesthesia equipment, and hospital furniture.
Top 10 US Exports to Colombia

1. Gasoline, other fuels: 52%
2. Corn: 11%
3. Landline, cellular phone equipment: 7%
4. Computers: 6%
5. Soybean oilcake, other solid residue, not ground: 5%
6. Low value shipments: 4%
7. Rice: 4%
8. Plastics: 4%
9. Civilian aircraft and parts: 4%
10. Motor vehicles for transporting people: 3%
US: Export Trends

USA Exports to Colombia (US$M)

Source: EuroMonitor
Canada: Export Trends

Canada Exports to Colombia (US$M)

Source: Euromonitor
Opportunities for Imports: Colombia

Main imports: Refined petroleum, cars, trucks & tractors, aircraft, phones, broadcasting equipment, medicaments, and corn

Growing Opportunities in:

- Information Technology
- Refined Fuel and Energy
- Mining Equipment
- Medical Equipment
- Car Parts
2014 Colombia’s total IT market value reached US$3.6B and a year-over-year growth of 12%

- Computer hardware sales largest share of market, totaling 35%
- Personal computer sales 2\textsuperscript{nd} with 28%, services sales 25% and software sales 12%.
Opportunities: Medical Equipment

In 2014 Colombia imported medical equipment and supplies valued at US$1.2B, the highest level ever. Of this total, US$432M, was from the US.

- 80% of medical devices are imported, & projected to grow by 12% annually.
- US dominates as largest provider:
  - 96% of US medical exports to Colombia are tariff free.
- Quebec’s 3rd largest export market, totaling US$7.6M in 2014.
- Ontario’s 12th largest mkt.
Opportunities: Cars and Auto Parts

- North American products are very well known and regarded
- In 2014, 66% of vehicles were imported, and auto sales increased 12%

- Auto parts imports US$3,570M in 2013 & Colombia 3rd largest car manufacturer in LA
  - US$ 684M originated from the US
  - Poor road conditions increases rate of replacement
Market Entry Strategy

- Critical to assign agent, representative, or distributor
  - Assist with regulation compliance
  - Overcome language and cultural barriers
- Competition based on quality, price, and service
- Ensure after-sales services
- Innovative marketing campaigns
- Personal relationships can be key to entry, and reputation goes far
Market Recommendations

- Come in with a clear objective.
- Competitive: Have clear value added proposition.
- Define clearly what type of business structures would be viable for your product and market.
- Be proactive in your marketing and follow-up and create personal relationships
- Be committed and experience it first-hand.
Market Recommendations

- Colombian buyers are looking for brand exclusivity, and business is direct but formal
- Chileans will ask for exclusivity but cannot say no
- Provide support to your local counterparts before and after sales.
- Accommodate your products/services to the local market: business culture and Spanish
- Do your due diligence
We look forward to working with you!

Verónica Medina
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Council of Great Lakes & St Lawrence Governors and Premiers
International Trade Development Representative
Office in Chile

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Tel. +(56 2) 2530 3600
South America Trade Mission 2015

- Multi-sector trade mission to Brazil, Chile and Colombia October 17-27, 2015
- São Paulo, Santiago and Bogotá
- Customized one-on-one business appointments with interested distributors, agents and other prospective business partners set up by the CGLSLGP Trade Offices (average 2 – 4 appointments per day)
- Brief market overview including industry sector information and target company profiles
South America Trade Mission 2015

- In-country market business briefings

- In-country staff support of CGLSLGP Brazil and Chile Trade Offices. Chile Trade Office covering Colombia.

- Group airport-hotel-airport ground transportation in all three cities

- Assistance with hotel bookings, drivers and interpreters
<table>
<thead>
<tr>
<th>Date</th>
<th>Itinerary</th>
</tr>
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<tbody>
<tr>
<td>Saturday, October 17</td>
<td>Depart U.S. for São Paulo, Brazil</td>
</tr>
<tr>
<td>Sunday, October 18</td>
<td>AM: Arrive São Paulo</td>
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<tr>
<td></td>
<td>PM: Country Business Briefing and Networking Dinner</td>
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<tr>
<td>Monday, October 19</td>
<td>Individual Business Appointments in São Paulo</td>
</tr>
<tr>
<td>Tuesday, October 20</td>
<td>Individual Business Appointments in São Paulo</td>
</tr>
<tr>
<td>Wednesday, October 21</td>
<td>AM: Fly to Santiago, Chile</td>
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<tr>
<td></td>
<td>PM: Country Business Briefing and Networking Dinner</td>
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<tr>
<td>Thursday, October 22</td>
<td>Individual Business Appointments in Santiago</td>
</tr>
<tr>
<td>Friday, October 23</td>
<td>Individual Business Appointments in Santiago</td>
</tr>
<tr>
<td>Saturday, October 24</td>
<td>Free day in Santiago</td>
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## South America Trade Mission 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>Activities</th>
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<tbody>
<tr>
<td>Sunday, October 25</td>
<td>AM: Depart for Bogotá, Colombia</td>
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<tr>
<td>Monday, October 26</td>
<td>Individual Business Appointments in Bogotá</td>
</tr>
</tbody>
</table>
| Tuesday, October 27     | Individual Business Appointments in Bogotá  
 Late PM: Fly back to U.S. (pending flight schedules) |
| Wednesday, October 28   | AM: Fly back to U.S.                         |
CGLG Trade Mission Website

South America Trade Mission 2015

October 17-27, 2015

Mission registration deadline: August 19, 2015

- Mission Participation Fee US$ 995 per person
- Brief Market Research and Appointment Setting
  - Brazil  US $ 3,852
  - Chile  US $ 2,500
  - Colombia US$ 2,600
- Grant funding available in many states
- Main goal: To assist SMEs from the Great Lakes region or Canada looking to export products and services to Brazil, Chile and Colombia

*varies by state

Brazil, Chile and Colombia: October 17-27, 2015
São Paulo, Santiago and Bogotá

Germany and the United Kingdom: March 1-9, 2016
Frankfurt (base) and London (base)

China: May 7-14, 2016
Shanghai, Guangzhou and Beijing

Kazakhstan and Azerbaijan: June, 2016

Website: http://www.cglslgp.org/projects/international-trade/trade-missions/
Questions?

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