Doing Business in Brazil and Argentina
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 $6 trillion economy and protect the world’s greatest freshwater system.

The Council of Great Lakes Governors serves as secretariat.
CONFERENCE TRADE OFFICES
provide export assistance in over 90 countries

www.cglslgp.org
CGLSLGP Trade Missions have assisted over 375 Great Lakes companies to export their products and services to 21 international markets:

Abu Dhabi, Argentina, Australia, Brazil, Chile, Czech Republic, Colombia, Dubai, Germany, India, Indonesia, Mexico, New Zealand, Peru, Poland, Romania, South Africa, Qatar, Québec, Thailand, Turkey, Vietnam, UAE and the United Kingdom.
DOING BUSINESS IN BRAZIL

Claudia M. Tomaselli
Principal
CGLSLGP Trade Office in Brazil
July 27, 2017
THE SECOND LARGEST ECONOMY IN THE W HEMISPHERE
Brazil at a Glance
An Industrial and Agricultural Giant
The Three Motors of the Economy
Brazil’s Fastest Growing Industries
Advantages and Challenges
US and Brazil Trade
Best Prospects
Strategies for Success
Brazil at a Glance

- Size: 3.3 million sq miles
- Population: Almost 207 million inhabitants \( \times 203 \text{ million in 2015} \)
- 9th biggest economy in the world
- GDP: US$1.796 trillion in 2016 \( \times \$1.805 \text{ trillion in 2015} \)
- Per capita US$ 8,650.00 (2016) \( \times \$8,757.00 \text{ (2015) larger within the BRICS countries (Brazil, Russia, India, China and South Africa)} \)
- Trade Surplus US$ 47.7 billion (2016) \( \times \$19.69 \text{ billion (2015)} \)
- Exchange Rate US$ 1 = R$3,15 (July 2017) \( \times \$3,42 \text{ (July 2015)} \)
- Inflation Rate 6.29% (2016) \( \times \text{10.67% (2015)} \)
- Interest Rate 9.25% (July 2017) \( \times \text{14.15% (July 2015)} \)
- Foreign Exchange reserves US$ 380.197 million (July 2017) \( \times \$365.016 \text{ million (2016)} \)
- IMF Predicts a +0.3% Growth in the Brazilian Economy for 2017 and +1.3% for 2018.

Source: BraCentral Bank, MDIC
An Industrial and Agricultural Giant

- Highly Diversified and Dynamic Market: Home to Latin America’s largest aerospace, automotive, oil and gas, mining, capital goods, medical equipment and chemical industries and is now one of the largest consumer markets in the world, and the second largest exporters of food (after the US only)
- 4th largest internet market globally with 140 million internet users
- One of the most modern telecommunications and cutting-edge bank systems
- Among the world’s top generators of renewable and electric energy, and fourth largest market for LEED
- 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.

*Source: Brazilian Central Bank
The Three Motors of the Economy

- Middle Class
- Abundant Natural Resources
- Infrastructure Investment
Expanding Middle Class (50%)

- Largest Structural Change in the last decade+
- + 37 million came out of the absolute poverty (Since 2003)
- + 40 million moved into the middle class (Class C)
- This middle class has real spending power, appreciates high quality merchandise and is eager for a better quality of life (i.e. Education, Health, Security...)

Class Composition

Source: FGV
Abundant Natural Resources

✓ World’s largest reserves of farmable and not cultivated land
✓ Thanks to its agricultural and oil resources, Brazil ranks:
  • 2nd worldwide for bioethanol production
  • 3rd among the world’s major agricultural exporters and
  • 4th for food products.
✓ With continental dimensions and abundant natural resources Brazil definitely
  has a key role in supporting the global economic growth: the world’s growing
  population and industry will need greater supplies of food and commodities.
The Government focus will continue to be in the Infrastructure Development - Huge investments in Infrastructure and Energy

The government has made some changes for the concession projects to the private sector through the Investment Partnerships Program (PPI):
• From now on, bidding will be published in Portuguese and English, to attract foreign investment.
• The period for the bidding will be extended to 100 days, to attract a greater number of investors willing to participate.

Corruption scandals brought more opportunities for small and medium sized companies.
The ongoing corruption investigations - such as the “Car Wash” - should make Brazil a fairer and more transparent place for doing business.

Source: FGV
Advantages

Receptive to US Culture/Products
Good Business climate
Entrepreneurial Spirit - # 9 out of 44
Social Media Savvy
  • Social Net. Is a habit for 90% of Brazilians between the ages 15-32. (Facebook, Youtube, Google, Twitter)
  • Brazil is responsible for 10% of total time spent in Social Media globally. (US is 1st)
Rise of E-Commerce
  • 2011-14 grew 91.4% (13% in 2015)
  • Leads mkt in LATAM, 238.7 mi connections
Strategic Location (Proximity to the US, borders almost every SA country)
World-class companies: Embraer, JBS and Ambev-SABMiller

Challenges

High import tariffs (0-20%)
Complex taxation system
Burdensome Regulations
Bureaucracy
Lack of Infrastructure
European /Asian Competition
Informal Economy
# Hypothetical Cost Buildup for Imported Machine (US$)

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</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>CIF Price of Product</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><strong>156,064</strong></td>
</tr>
</tbody>
</table>
The United States & Brazil
A Growing Partnership

Agreement on Trade and Economic Cooperation
We Invest In Each Other

- Brazil and the US traded more than $88 billion in 2016 (Goods & Services)
- Two-way trade = 41.86%+ growth since 2005
- By the end of this period, Brazil was the 9th destination of US FDI worldwide and is among the top 10 market for the United States
- The U.S. Goods & Service trade surplus with Brazil was $22.2 billion in 2016
- No matter the challenge, Brazil remains too big of an opportunity to miss.

U.S. Exports to Brazil: $30.3 bi in 2016

<table>
<thead>
<tr>
<th>TOP 10 2016 (thousands of USD)</th>
<th>Value (thousands of USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIVILIAN AIRCRAFT, ENGINES, EQUIPMENT, AND PARTS</td>
<td>4.4</td>
</tr>
<tr>
<td>FUEL OIL</td>
<td>2.6</td>
</tr>
<tr>
<td>PETROLEUM PRODUCTS, OTHER</td>
<td>1.4</td>
</tr>
<tr>
<td>CHEMICALS-FERTILIZERS</td>
<td>1.4</td>
</tr>
<tr>
<td>TELECOMMUNICATIONS EQUIPMENT</td>
<td>1.3</td>
</tr>
<tr>
<td>PLASTIC MATERIALS</td>
<td>1.2</td>
</tr>
<tr>
<td>PHARMACEUTICAL PREPARATIONS</td>
<td>1.1</td>
</tr>
<tr>
<td>CHEMICALS-ORGANIC</td>
<td>1.1</td>
</tr>
<tr>
<td>SEMICONDUCTORS</td>
<td>0.8</td>
</tr>
<tr>
<td>INDUSTRIAL MACHINES, OTHER</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Census USGOV
Great Lakes Exports to Brazil
Approximately 30% of US total exports

Key Products:

- Machinery
- Chemicals
- Transportation Equipment
- Newsprint
- Computer and Electronic products
- Electrical Equipment
- Turbojets, Turboprops
- Aircraft launch apparatus
- Medical
- Auto
2016 Best Prospects

- Aerospace/Aviation
- Agriculture Equip & Services
- Food, Equipment & Services
- Airports
- Apparel/Textile & Equipment
- Automotive
- Beauty & Cosmetics
- Biotechnology
- Building Products
- Chemicals & Chemical Equip.
- Civil Nuclear
- Construction Equipment &
  Building Products
- Construction & Engineering Services
- 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
- Medical Equip.
- 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
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!

CGLSLGP TRADE OFFICE IN BRAZIL

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Argentina

A new chapter under Macri
Argentina at a Glance

- Area: 2,780,400 km²
- Population: 43.8 million
  Growth rate: 1.0%
- Capital: Buenos Aires 15.2 million
- Other Urban Centers:
  Cordoba 1.51 million
  Rosario 1.38 million
  Mendoza 1 million
- Workforce: 20.05 million
- Life expectancy: 76 yrs
- Language: Spanish
Economy at a Glance

• **GDP 2016:** US$ 545.866 billion

• **GDP Growth 2016:** -2.3%

• **GDP Growth 2017 (predicted):** 2.7%

• **Unemployment rate:** 6.6%

• **Inflation:** 40.9%

• **Imports from the U.S.:** US$ 8.6 billion

• **Exports to the U.S.:** US$ 4.7 billion

The USA is Argentina’s second largest trading partner after Brazil
Why Choose Argentina?

- **Business-friendly President:** Mauricio Macri, elected December 2015, is prioritizing international trade and investment

- **3rd largest economy in Latin America:** with a GDP of over US$ 545 billion

- **Abundant natural resources:** in areas such as agriculture, mining and NCRE. Argentina is the leading natural gas producer in Latin America

- **High per capita incomes:** income distribution is more equal than its Latin America neighbors and has a large middle class encouraging high consumer consumption

- **Highly educated work force:** a well developed education system has created a highly skilled workforce

- **Digitally active society:** Argentina has high internet and smartphone penetration rates
Free Trade Agreements

• Argentina is a member of the Mercosur Customs Union

• Mercosur currently has FTAs with:
  – Israel, Peru, Chile & Bolivia
  – Egypt (signed, not operational)

• Preferential Commercial Agreements are in place with the Southern African Customs Union, Colombia, Ecuador, India, Mexico and Venezuela.

• In March 2016, the USA and Argentina signed a Trade and Investment Framework Agreement
Argentina’s Main Industries

- **Largest Sectors:** agriculture, construction, renewable energy, mining, oil & gas, pharmaceuticals, biotechnology, food & beverage, textiles, metalworking & steel, bio-fuels, automotives, consumer durables, chemicals & petrochemicals

- **Agricultural Products:** soya beans, corn, wheat, grapes, livestock farming, citrus fruits, tobacco, tea
Opportunities in Argentina
CGLG-Argentina Exports by State

CGLG Exports to Argentina by State

Source: Foreign Trade Division, U.S. Census Bureau & Canadian International Merchandise Trade Database
CGLG-Argentina Exports

**Source:** Foreign Trade Division, U.S. Census Bureau & Canadian International Merchandise Trade Database

**Total CGLG Exports to Argentina**
Opportunities for Imports

Main imports from USA: Machinery, mineral fuels, electrical machinery, aircraft, pharmaceuticals, agricultural products.

Main services imports from USA: travel, telecommunications, computer, and information services and transport sectors.

Opportunities:
- Agricultural and Food Processing Machinery
- Electronic Security Equipment
- Healthcare Equipment & Technology
- Shale Gas & Oil
- Biotechnology
- ICT
Opportunities: Energy

- Net importer of energy as insufficient power generation
- Renewable energy key factor in Macri government agenda
- Investment required to meet rising demand and diversify energy matrix

Renewable Energy:
- Law 27.191 - promote renewable energy to 20% of national grid by 2025
- Renewable Energy Development Fund (FODER)

Opportunities:
- Hydrocarbons (Vaca Muerta shale oil & gas reserves)
- Solar, Wind, Hydroelectric & Biomass
Opportunities: Bioscience

- Strong government investment in research centres, funding & PPPs
- Leading biotechnology sector, especially in agroindustry & health
- Pharmaceutical & healthcare industry offers strong long-term growth

Opportunities:

- Biotechnology: agriculture, food industry, pharmaceuticals, health diagnosis, genetics (human & animal)
- Healthcare: Pharmaceuticals, medical devices & equipment, R&D PPPs
Opportunities: Food & Beverage

• High per-capita soft drink & alcohol consumption rates:
  129L per capita for soft drinks in 2015
• Food consumption is expected to increase by 9.3% CAGR 2014-2019
• Small local production of food processing equipment in Argentina:
  an estimated 94.8% was imported in 2016, of which 30% originated in the US

Opportunities:
• Food processing equipment & parts, especially related to seeds & grains, eggs, oils, fruits, nuts and vegetables
• Dairy products, confectionery, specialist food ingredients, soft drinks & alcohol
Opportunities: Manufacturing

• 2016: manufacturing industry accounted for 16.4% of Argentine GDP
• 2003-2012 annual accumulated growth for manufacturing industry: 6%
• US brands generally preferred by Argentines
• Relaxing of import controls offers opportunities for US manufacturers

Opportunities:
• Construction equipment and materials
• Mining supplies & machinery
• Agriculture – irrigation equipment and parts & components
• Food processing equipment
• Electronic security equipment
Opportunities: ICT

- Second largest IT market in Latin America, valued at US$ 4.2bn expected growth from 2017 to US$ 7.7bn by 2020
  - software segment will grow at CAGR 12.7% 2017-2021
- Major government investments to boost services and penetration
- Financial services sector biggest spenders (31% of 2016 total spending), followed by telecoms (16%)

Opportunities:
- Big data
- Cloud computing
- Enterprise software
- Outsourcing
- Infrastructure
Market Entry Strategy

- Critical to assign agent, representative, or distributor
  - Assist with regulation compliance
  - Overcome language and cultural barriers
  - Establish crucial relationships

- Offer a value-added proposition based on quality, price, and service to beat competition

- Ensure after-sales services

- Innovative marketing campaigns in Spanish

- Personal relationships can be key to entry, and reputation goes far

- Do your due diligence
Market Recommendations

- Come in with a clear objective
- 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
Argentina Recommendations

- Companies need to check all import requirements – these have changed recently.
- Carry out extensive due diligence
- Protect any intellectual property and work with local lawyers
- Argentina has a unique economic and demographic distribution with several key cities.
We look forward to working with you!

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Brazil & Argentina Trade Mission 2017

November 5-11, 2017

• Multi-sector trade mission to São Paulo, Brazil and Buenos Aires, Argentina
• Customized one-on-one business appointments with interested distributors, agents and other prospective business partners set up by the CGLSLGP South America Trade Representatives

Mission registration deadline: September 11, 2017

- Mission Participation Fee US$1,350 per person (each additional participant $400)

- Customized B2B Meeting Schedule
  Brazil $2,500  Argentina $2,300

- Grant funding is available in many States to offset travel costs and mission fees.
Brazil and Argentina Trade Mission 2017

- In-country market business briefings and networking events
- In-country staff support of CGLSLGP
- Group assistance with logistics
<table>
<thead>
<tr>
<th>Date, Month</th>
<th>Itinerary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saturday, Nov 4</td>
<td>Depart U.S./Canada for São Paulo, Brazil</td>
</tr>
<tr>
<td>Sunday, Nov 5</td>
<td>AM: Arrive São Paulo&lt;br&gt;PM: Country Briefing and Networking Dinner</td>
</tr>
<tr>
<td>Monday, Nov 6</td>
<td>Individual Business Appointments in São Paulo</td>
</tr>
<tr>
<td>Tuesday, Nov 7</td>
<td>Individual Business Appointments in São Paulo</td>
</tr>
<tr>
<td>Wednesday, Nov 8</td>
<td>AM: Travel to Buenos Aires, Argentina&lt;br&gt;PM: Argentina Country Briefing</td>
</tr>
<tr>
<td>Date</td>
<td>Events</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>Thursday, November 9</td>
<td>Individual Business Appointments in Buenos Aires, Argentina</td>
</tr>
<tr>
<td>Friday, November 10</td>
<td>Individual Business Appointments in Buenos Aires, Argentina</td>
</tr>
<tr>
<td></td>
<td>Late PM: Travel back to U.S./Canada</td>
</tr>
<tr>
<td>Saturday, November 11</td>
<td>Travel back to U.S./Canada</td>
</tr>
</tbody>
</table>
Brazil and Argentina Trade Mission 2017

Overview
Mission Itinerary
Mission Costs
Travel Arrangements
Important Dates
Previous Trade Missions
Trade Mission Testimonials
Contacts

Brazil and Argentina Trade Mission 2017

The Conference is leading a multi-sector trade mission to Brazil and Argentina from November 5-11, 2017. The goal of this mission is to assist small- to medium-sized companies from the Great Lakes-St. Lawrence region export products and services to these important markets. A printable flyer for the mission can be found here.

To register for the mission please fill out the following:

a) Company profile form

b) Mission hold harmless release

CGLSLGP 2017-2018 TRADE MISSIONS

Mexico: February 26- March 2, 2018
Europe: Spring, 2018

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

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