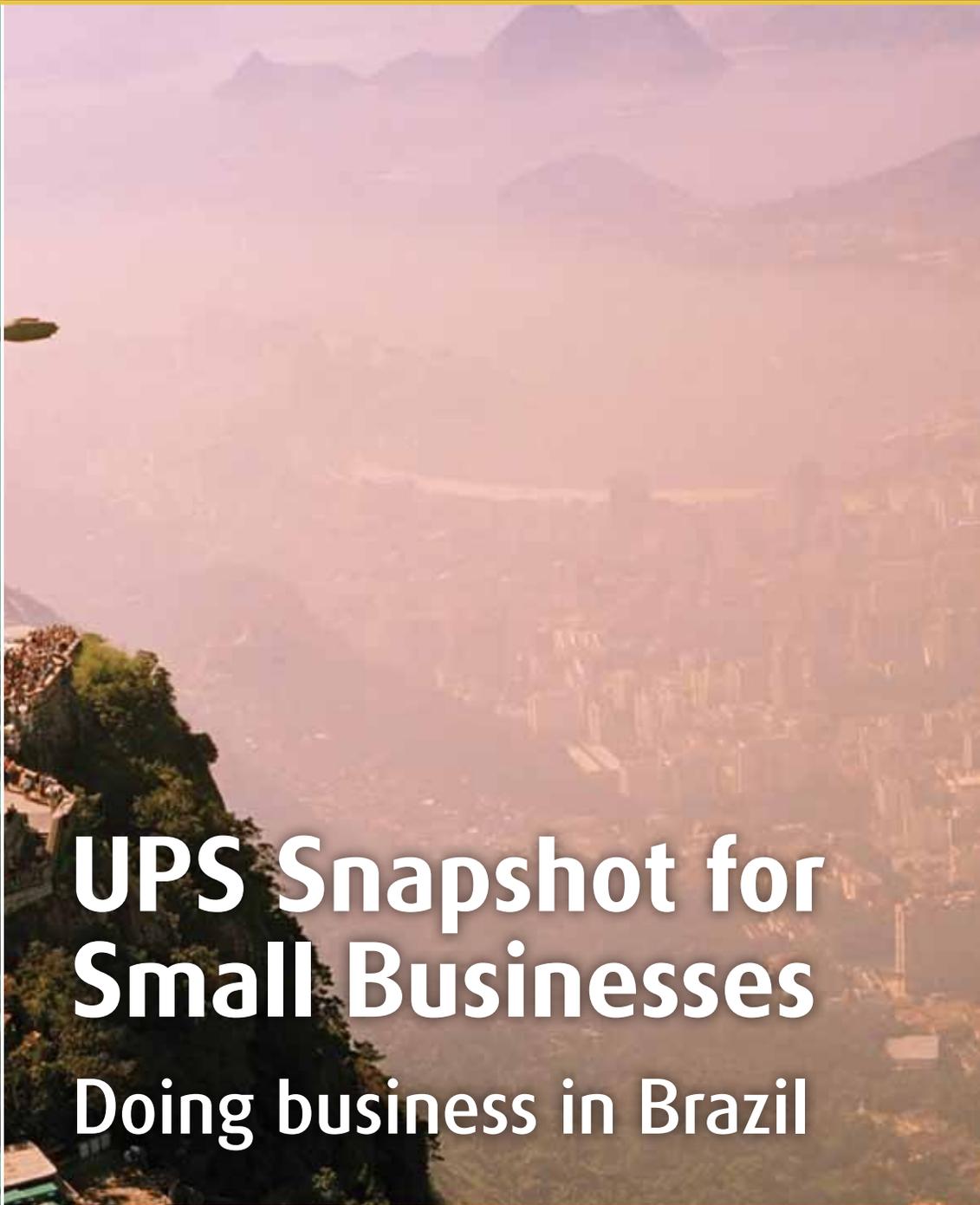


A special reader supplement to
Compass[®]



UPS Snapshot for Small Businesses

Doing business in Brazil

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Why Brazil for Small Businesses?

Renowned for high fashion, rainforests, beaches, and spectacular Carnival celebrations, Brazil offers a cornucopia of culture – and plenty of opportunity for American small businesses.

Brazil is the largest market in Latin America and the fifth-most populous country in the world. It also is the world's 10th largest economy, in terms of GDP. *The Economist* projects the nation's GDP will hold steady at around 2.7 percent in 2010, and close to 4 percent during 2011-2013.

For small businesses, Brazil offers a growing consumer market – rising income levels have created a new class of first-time consumers. It also offers a strong manufacturing and industrial base for companies considering importing, like U.S. fashion house Style West has done (page 3).

Brazil: Key Facts and Figures

Population: 198,739,269 (World's fifth largest, behind China, India, United States and Indonesia)

Age Structure:

- 0-14 years: 26.7 percent (male 27,092,880/female 26,062,244)
- 15-64 years: 66.8 percent (male 65,804,108/female 67,047,725)
- 65 years and over: 6.4 percent (male 5,374,230/female 7,358,082) (2009 est.)

Median Age:

- Total: 28.3 years
- Male: 27.5 years
- Female: 29 years (2008 est.)

Life Expectancy at Birth:

- Total population: 71.99 years
- Male: 68.43 years
- Female: 75.73 years (2009 est.)

Population Growth Rate: 1.19 percent (2009 est.)

Ethnic Groups:

- White = 53.7 percent
- Mulatto (mix white and black) = 38.5 percent
- Black = 6.2 percent
- Other (including Japanese, Arab, Amerindian) = 0.9 percent (2000 census)

Official Language:

- Portuguese is the official and most widely spoken language in Brazil.
- Less common languages include Spanish, German, Italian, Japanese, English and several minor Amerindian languages.

Literacy: (Age 15 and over who are able to read and write)

- 88.6 percent (2004 est.)

Area:

- 8,511,965 million sq. km (World's fifth largest, behind Russia, Canada, United States and China)

Government:

- Government type: Federal Republic
- Capital: Brasilia
- Other major cities: São Paulo, Rio de Janeiro, Belo Horizonte, Salvador, Fortaleza, Recife, Porto Alegre, Curitiba

Currency: Real

GDP (purchasing power parity): \$1.849 trillion (2007 est.)

Sources:

- *CIA World Factbook*
- *U.S. Department of State*

GDP (official exchange rate): \$1.314 trillion (2007 est.)

GDP - real growth rate: 5.4 percent (2007 est.)

GDP - per capita (PPP): \$9,500 (2007 est.)

GDP - composition by sector:

- Agriculture: 5.5 percent
- Industry: 28.7 percent
- Services: 65.8 percent (2007 est.)

Exports:

- \$200 billion (2008 est.)
- Transport equipment, iron ore, soybeans, footwear, coffee and automobiles
- Partners: United States (14.1 percent), China (9.5 percent), Argentina (8.3 percent), Germany (4.4 percent) and the Netherlands (4.3 percent). (2007)

Imports:

- \$176 billion (2008 est.)
- Machinery, electrical and transport equipment, chemical products, oil, automotive parts and electronics
- Partners: United States (19.9 percent), China (9.2 percent), Argentina (8.1 percent) and Germany (7.6 percent). (2007)

Labor Force: 99.23 million (2007 est.)

Unemployment Rate: 9.3 percent (2007 est.)

Natural Resources:

- Bauxite
- Gold
- Iron ore
- Manganese
- Nickel
- Phosphates
- Platinum
- Tin
- Uranium
- Petroleum
- Hydropower
- Timber

Environment - Current Issues:

- Deforestation in the Amazon Basin
- Illegal wildlife trade
- Air and water pollution in Rio de Janeiro, São Paulo and other large cities
- Land degradation and water pollution caused by improper mining
- Wetland degradation
- Oil spills

Small Business Trailblazers

Style West

California firm distributes high-end Brazilian fashion

What?

Style West imports fashionable flip-flops, bags and bikinis from Brazil. It also is launching its own rainwear label.

Where?

Style West, based in Oxnard, Calif., imports from Brazil and sells products to customers around the world.

Who?

Founder David Sengstaken and Chief Operations Officer Robert Angstadt

For more information:

Davrain.com

Please tell us about your business. What do you do in Brazil?

David: We export Brazilian high fashion to the United States. We distribute a flip-flop line called Havaianas, swimwear under the label Cia Maritima, and handbags branded Serpui Marie to the United States. We're looking to export our new rainwear line, Däv, to Brazil.

How did you start to do business in Brazil?

David: We started as a boutique public relations and marketing firm that promoted these Brazilian products in the United States. But then Havaianas asked us to help them tap the U.S. market. As we're passionate about fashion – and Brazilian fashion in particular – we decided to leap into new territory. So we learned about exporting and distribution. Once we were successful with Havaianas, other companies came to us, too.

What do you consider to be the biggest benefit about doing business in Brazil?

David: For those of us in the fashion industry, Brazil is fantastic. It has a design flair that rivals Italy. If you're not in the fashion industry, the design expertise in Brazil is something that can benefit any product. For U.S. companies seeking to export, there are a lot of advantages, including a growing consumer market.

Why do you want to launch your rainwear line Däv in Brazil?

David: It's a market that really does enjoy high fashion, so the products are a natural fit. Plus, our line is really useful in the rainforest!

Robert: From a population standpoint, there's a growing middle class there. São Paulo is one of the biggest cities in the world, so it's a huge market opportunity for U.S. companies.

What are some of the obstacles you have faced in Brazil?

David: There sometimes are cultural challenges. I'm from New York, so I tend to be very upfront and abrupt in business. That is something you really have to temper in Brazil. To walk into a business meeting, put down your briefcase and say, "here's what we're going to do about..." isn't going to fly here. People are much more relationship-driven.

Robert: Logistics can be another challenge. Some manufacturers are located in remote areas. In those regions, there may not be the infrastructure to move goods quickly. In general, there are good shipping options in Brazil compared to other places in the world, but you do have to pay attention to timing and get a realistic sense of how long it will really take to get your products shipped.

Do you have any logistics or shipping advice for businesses?

David: There are customs issues in Brazil, especially in regard to frequent labor strikes. It's imperative to have a good logistics partner and be prepared.

Robert: Work with larger, more reputable companies.

What advice would you offer other small businesses seeking to go into Brazil?

Robert: Always make sure you are working with a reputable manufacturer. There are small companies, as there are in any country, which can vanish overnight. We always look for larger corporations that will stand by their work. It is also important to clearly communicate delivery deadlines.

David: I compare working in Brazil to working in Italy. The product quality is phenomenal. But they don't always have a sense of urgency about delivering right on time. So you have to first understand your own deadlines, and then make sure your partners understand them also and make it clear when you need your products delivered.

Are there any cultural faux-pas or other important things Americans should know before they go?

David: I've always found Brazilians to be very warm, friendly people. They will build a rapport with you quickly. Just be respectful, take the time to talk about daily life with them, and you'll do fine.

Robert: It's important to understand the business culture. Don't impose American ways of doing business in Brazil. Understand what Brazilian retailers need and adapt to their needs directly.



Minding Your Manners: Business Etiquette in Brazil

In Brazil, building trust and good rapport are keys to developing successful business ventures. These etiquette tips will help get you started off on the right footing in Latin America's largest market.

What's in a Name?

- Don't be the first to address business partners by their first names; wait until they have done so first.
- If you're unsure of a person's title, "Doctor" is a title given to respected individuals, even if the person is not a physician. For people with no formal title, use Senhor and Senhora.
- Ask for the correct pronunciation of a name, rather than saying the name incorrectly.
- In writing, use both the mother's family name, followed by the father's family name.
- Pay attention to business cards you receive. It's customary in Brazil to cross out titles and family names if a person prefers not to be addressed as shown on the card. An underlined name indicates how the person prefers to be addressed in conversation.

Business Basics

- Brazilians dislike doing business with foreign colleagues unless the individuals have been properly introduced. To most Brazilians, the individual is more important than the company.
- Brazilians prefer long-term business relationships and negotiate with people not companies. Don't change your negotiating team or you may have to start over.

- Brazilians prefer face-to-face meetings to written communication so they can get to know the person with whom they are doing business.
- Schedule business meetings two to three weeks in advance and confirm the meeting in writing. Appropriate appointment times are from 10 a.m. until noon, or from 3 p.m. until 5 p.m.
- Be punctual, but prepare to wait for your associate's arrival.
- Meetings often run late, therefore schedule only one appointment per day. It is considered rude to leave a meeting early.
- Partner with local law and accounting firms. Brazilians prefer a local presence for negotiations.

Talking Points

- English is widely used in business, but learning a few phrases in Portuguese will be appreciated by your colleagues – and will be very useful when dealing with non-English-speaking colleagues.
- Conversation moves at a very fast pace. Eye contact is important.
- Brazilians stand very close and use physical contact during conversations. In Brazil, closeness inspires trust, and trust inspires long-term relationships.
- Don't get too personal – avoid topics such as marital status, children, income, poverty, security and religion. Instead, talk about traveling, soccer, weather, traffic and life in the United States.

- Avoid the phrases “back in America” and “as an American.” Use “United States” in conversation rather than “America.”
- Brazilians may seem loud because they speak at the same time and in a high tone of voice. In Brazil, it is acceptable to interrupt someone who is speaking.

What to Wear

- Brazilians pride themselves on dressing well.
- Dress for the season: Brazil’s winter is from June through August and summer from December through February.
- Dark suits are appropriate for any business situation, but light-colored suits are acceptable during the summer.
- Conservative attire is necessary; avoid flashy ties and colors.
- For women, elegant yet conservative dresses and pantsuits should be worn in business situations.
- Wear natural-looking makeup. Though makeup is not popular in Brazil, manicures are expected.
- Purses and handbags should never be placed on the floor; Brazilians consider this a sign of bad luck regarding money.
- Avoid wearing the colors of the Brazilian flag – green and yellow.

Outside of the Office

- When taking a Brazilian colleague to a business meal, always make a reservation at a renowned restaurant with good reviews and pay the bill.
- Brazilians never touch food with their hands; a fork and knife is always used.
- Brazilians drink coffee after meals.
- In most Brazilian restaurants, the tip is already included in the bill.
- If bringing a gift, chocolates or fine liquor are appropriate to bring to a person’s home. Avoid bringing gifts in black or purple, the colors of funerals.
- Yawning or stretching in public is taboo in Brazil.

Sources:

- *Professional Travel Guide*
- *Kwintessential Cross Cultural Solutions*
- *Executive Planet*
- *Associated Content*

Culture Corner

Carnaval: One of the world’s great celebrations

Brazil is known around the world for its colorful, festive Carnaval, or Carnival in English. Celebrated in February or early March directly before Lent, a time of fasting and reflection for Christians, Carnaval comes from the Latin words, “Carne Vale,” meaning, “Farewell to the Flesh.”

While celebrated across Brazil, perhaps the most internationally renowned Carnaval celebration is in Rio de Janeiro. This bustling beachside city is where the country’s first Carnaval parades began, and the first samba – Brazilian dance – schools opened their doors in the 19th century. The four-day festivities span from Saturday to Tuesday – so don’t expect too much business to be conducted during this time.

Rio’s parades are kicked off by mulatas, women dressed in elaborate and tiny costumes of sequins and feathers. Following them are throngs of percussion musicians, and then giant, colorful floats topped with and surrounded by students from the city’s samba schools dancing the samba. Each of the city’s 14 samba schools creates a theme for its elaborate floats, which can cost up to \$1 million, and spend most of the year rehearsing dances and preparing for Carnaval. At the end of the festivities, one samba school is chosen by a jury as champion of the year’s parade.

Another Carnaval epicenter is in Salvador Da Bahia, in the seaside state of Bahia. Dubbed the biggest party in the world by the Guinness Book of Records, Carnaval takes over the city with rhythms and dancing to samba, reggae and other sounds influenced by the city’s African roots.

While other cities around the world, from New Orleans to Venice celebrate Carnaval, the festivities in Salvador and Bahia are uniquely Brazilian and are not to be missed by Americans who want to get to know this country.

Sources:

- *São Paulo Carnaval*
- *Brazil Travel Guide*
- *Fodor’s*
- *Ipanema.com*

The Export Experts

Rebecca Armand, Scott Shaw and Camille Richardson are minister counselors for the Department of Commerce's U.S. Commercial Service, which helps companies enter international markets. Services include market research, trade events, facilitating introductions and advocacy.

Why should U.S. companies consider doing business in Brazil?

Scott: Brazil is a big market in terms of opportunity. It has had relatively strong growth rates between 3 percent and 6 percent per year, and a growing consumer base. For U.S. companies, Brazil also is closer to home than India and China – so it can be more practical to visit frequently. It also is, perhaps, the key country for companies looking to expand to Latin America.

In the midst of tough economic times, is the U.S. Commercial Service in Brazil seeing fewer requests from U.S. businesses seeking to trade?

Scott: Actually, we have seen an increase in requests from U.S. companies looking to other markets as U.S. business falls off. While the slowdown is affecting Brazil as well, American companies still are looking to do business here.

What is critical for U.S. companies to know before they go?

Rebecca: There are lots of things that businesses need to know before they go to Brazil. The first is that there are heavy taxes and other costs associated with doing business here, commonly called "custo Brazil." There are trade tariffs, especially on information technology products.

Scott: Traditionally, Brazil is not an easy market in terms of tariffs and taxes, so U.S. companies need to be competitive, and bring something really new to the market to succeed over time.

What cultural missteps should U.S. businesses be wary of?

Scott: Brazil has a very relationship-based business culture. In order to be successful, U.S. companies have to invest in these relationships. We encourage businesses to visit Brazil regularly and to get to know prospective partners over the long-term.

What is the most important advice you would offer U.S. companies considering coming to Brazil?

Camille: First of all, do your homework. Surprisingly, a lot of people really do try to "fly by the seat of their pants." Know what the tax and pricing structures are. Also, you'll need to have local law firms, agents or distributors. We have a network here to help businesses find these experts and navigate these challenges. Most of all, I would advise businesses to implement a long-term strategy.

Rebecca: These days, you have to investigate credit. It's not always so easy for small businesses to get credit and the loans they need. The best place to start exploring these issues is by talking to a local export center in your area, which you can find by visiting www.export.gov. They will help you find out whether Brazil is right for your business.



São Paulo: A Megalopolis That's Just Right for Entrepreneurs

One of the world's largest cities is emerging as a world-class business hub

If you're thinking about expanding operations into Brazil, one standout city for international entrepreneurs is São Paulo. With a population of 18.3 million, São Paulo is the third-largest city in the world. It is the largest industrial, commercial, agricultural and services center in Brazil and a hub for global business activities.

According to *fDi* magazine, Brazil attracts about US\$22 billion of foreign direct investment (FDI) per year. The mayor's office of São Paulo says more than 15 percent of this FDI pours into the city every year because it's often chosen as the home base for many multinational corporations. São Paulo has long been known as the hub for Brazil's financial services industry, but in recent years it has become a hub for technology companies. According to *InfoWorld*, many of the world's leading tech companies – including Accenture, Hewlett-Packard, Infosys, Satyam, Softek, Tata Consultancy Services, Unisys and Wipro – have offices in São Paulo. Brazil's government has fostered the growth of technology in the country. Due to fewer government restrictions, Brazil's mobile telecommunications infrastructure is far more advanced than other areas of Latin America.

While São Paulo may not have as glamorous a reputation as Rio de Janeiro, recent improvements led by the city's government have given it an appealing – and singular – new look. In 2007, Mayor Gilberto Kassab ordered the downsizing or removal of all public forms of advertising – including billboards and ostentatious shop signs. While the move was opposed by the city's advertising sector, it ultimately paid off for São Paulo. Soon after the removal of 15,000 billboards and more than 1,600 signs, building owners began a widespread renovation of their facades. Today this billboard-free big city is an attractive destination for visitors and international entrepreneurs alike.

Here are a few other facts about São Paulo:

- According to a March 2007 report from PricewaterhouseCoopers on population evolution and the economy, São Paulo has emerged as one of the 20 richest cities in the world.
- Like New York, London and Tokyo, São Paulo is considered one of the world's top cities for financial services.
- São Paulo has direct air service to more than 23 countries.
- Office hours for most São Paulo-based businesses are Monday through Friday from 9 a.m. to 6 p.m.

Sources:

fDi Magazine
InfoWorld
Sao Paulo visitor sites
TIME magazine



Shipping Essentials

Nadir Moreno, UPS's managing director in Brazil, shares logistics advice to help U.S. companies prosper in Brazil.

Why should American companies begin exploring global trade opportunities with Brazil?

Now is an ideal time to consider Brazil; the purchasing power of Brazilians has grown extensively in recent years, and Brazilians are eager to buy new products entering the marketplace. In Brazil, economic growth has been at a pace that's more than double the average rate of the past two decades. The demand for credit is booming as millions of Brazilians are emerging from poverty and becoming first-time consumers. Currently our gross domestic product (GDP) represents 35 percent of all of Latin America's GDP.

With large and well-developed agricultural, mining, manufacturing and service industries, Brazil's economy outweighs all other South American countries. Additionally, Brazil was rated as the fifth-best country to invest in by the United Nations after China, India, the United States and Russia, demonstrating the enormous potential for foreign investors.

What logistics-related advantages does Brazil offer U.S. companies compared to China or India or another hot, emerging market?

Brazil's geographical location is an advantage in comparison to other emerging markets like China or India. We have trade access points in the northeast, southeast and southern regions of the country that are like "open doors" to the Atlantic Ocean. Today, Brazil relies on a large ocean and air infrastructure, which includes more than 30 seaports and more than 20 airports. UPS leverages this infrastructure through its fleet of vehicles, planes and ships that support the logistics needs of businesses operating in Brazil, allowing them to grow.

In 2008, Brazil's exports totaled US\$197.9 billion, a growth of 21.8 percent compared to the same period in 2007, and the country's imports grew by 41.9 percent. In Brazil, 61 percent of cargo is transported via ground transportation, which is a less expensive way to ship than air cargo. In Australia, the United States and China, these ground transportation numbers were 30 percent, 28 percent and 19 percent, respectively, for 2008. Without a doubt, Brazil is positioned to offer the most opportunity for growth for U.S. companies looking to use affordable supply chain offerings in emerging markets.

Are there any UPS products or services that help customers navigate shipping hurdles in Brazil?

UPS provides a full range of consultancy services to its customers that import from or export products to Brazil. Some of the most helpful products and services are UPS's online tools, which allow our customers to prepare their shipping documents at the touch of a button.

Iódice, one of the largest exporters of designer clothing in Brazil, has been a UPS customer since 2003. To facilitate its package-tracking operations, Iódice, uses Quantum View Notify[®], a free online system that provides shipment notifications via e-mail.

Additionally, Iódice uses UPS WorldShip[®], which allows the company to process shipments to more than 200 countries and territories. WorldShip automatically provides shipment information to UPS while preparing commercial invoices, tracking all activity and registering results as well as printing labels and documents for all UPS services.

Sources:

UN, Apex Brazil (Brazilian Agency of Exports and Investments Promotion) and MDIC (Development, Industry and Foreign Trade Minister)

