A GLOBAL / COUNTRY STUDY AND REPORT
ON
“BRAZIL”
Submitted to
(Indus Institute of Technology and Engineering)
IN PARTIAL FULFILLMENT OF THE
REQUIREMENT OF THE AWARD FOR THE DEGREE
OF
MASTER OF BUSINESS ADMINISTRATION
In
Gujarat Technological University

Indus Institute of Technology and Engineering
MBA PROGRAMME

Affiliated to Gujarat Technological University
Ahmedabad
May 2012
Introduction

One of the largest countries in South America is Brazil. It is the world's 5th largest country by geographical area and its population is over 192 million. Brazil is the only country that speaks Portuguese in South America and it is the largest Portuguese country in the world. Brazil with its diversity is one of the most deserving of the nation as a "land of contrasts."

The country is divided into five regions:

Norte (North), Nordeste (Northeast), CentroOeste (Central West), Sudeste (Southeast), and Sul (South).

Numerous archipelagos form part of Brazil territory, such as Fernando de Noronha, Rocos Atoll, Saint Peter and Paul Rocks, and Trinidad and Martim Vaz. Brazil borders all other South American countries except Ecuador and Chile. An equatorial climate characterizes much of northern side of Brazil. Brazil covers area around 8,511,965 sq. km. (3,290,000 sq. mi.), which is smaller than the United State. Its capital is Brasilia which is consist of population around 2.5 million. Its other main cities are Sao Paulo-11.2 million, Rio de Janeiro-6.3 million, Belo Horizonte-2.4 million, Salvador-2.7 million, Fortaleza-2.4 million, Curitiba-1.7 million, Recife-1.5 million, Porto Alegre1.4 million. Brazil has population around 190 million with growth rate of 1.17%. Its population is a mixture of different ethnic groups like: African, Portuguese, Italian, German, Spanish, Japanese, with matching behavior of middle descent eastern. An infant mortality rate is 22.5 / 1000 child. Life expectancy of an individual is approximately 73.1 years. It has work force of 101.7 million persons.
Brazil is a country with tremendous resources like our India, America or Australia. Brazil on the way of growth having 7th largest economy in the earth, however there are some expectation by economist and media that Brazil will soon achieve 5th position in world. Brazil is good place for investment and venture like our India in the world. Brazil economy is in journey of growth with 7.5% per annum.

Government of Brazil is in general open to and encourages overseas venture. It is the main receiver of foreign direct investment (FDI) in Latin America, and the United States is habitually the top overseas investor in Brazil. Since household reserves are not an adequate amount of to sustain long-term high growth rates, Brazil must carry on to be a focus for FDI,
particularly as the administration tactics to invest billions of dollars in off-shore oil, nuclear power, and other infrastructure segments over the next little years.

The political strengthening in self-governing and serene surroundings has grown foreign confidence in the country. This self-confidence is also consolidated by a more static and sustainable economy, which has shown improvements in macroeconomic indicators such as price rise control, lower interest rate, static GDP growth, advancements in the allotment of income, etc. Government of Brazil helps country to hold foot print in the global market through the positive trade policies. Current administration policies focus mainly on the development of energy competence, in both residential and industrial segments, as well as growing renewable energy. Further reformation of the energy division will be one of the key issues for ensuring adequate vigour investments to meet the growing need for fuel and electricity.

Among the Latin American countries Brazil has a most prominent GDP (PPP), and that is due to its mining, manufacturing, service and agricultural sectors. Brazil is increasing its presence in the international markets, and is part of the group of four emerging economies named BRIC. Brazil has the ninth largest economy in the world by purchasing power parity (PPP) according to the International Monetary Fund and the World Bank. In 16th to 20th century, Brazil faced a series of economic cycles due to successive exportation of certain products: Pau-brazil (brazil wood), sugar, gold, coffee and cocoa. The government has encouraged import substitution industries, giving rise to a significant secondary sector.

Despite the country’s great potential in the production of coffee and citrus fruit in the world and also in soya, cocoa, sugar and cattle, millions of inhabitants working in rural areas live in extreme poverty. As a result, there is a constant rural exodus of hundreds of thousands of people every year to the favelas of the cities. On the other hand, it has also produced a backward sector, made up of around 5 million farms of various sizes, operating at very low levels of productivity, but accounting for a considerable proportion of food production. Brazilians share a national culture that makes Brazil a genuine case of unity in diversity. The heritage of language, religion
and Portuguese law serves to unify this vast territory and its residents. Till the mid-twentieth century almost all Brazilians were Catholic, today almost everyone speaks of Portuguese and Brazilian culture identified with the decision.

From the following table we can summarize the demography of the Brazil.

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>POPULATION</td>
<td>205,716,890 (July 2012 est.)</td>
</tr>
<tr>
<td>AGE STRUCTURE</td>
<td></td>
</tr>
<tr>
<td>0-14 years:</td>
<td>26.2%</td>
</tr>
<tr>
<td>Male: 27,219,651</td>
<td>Female: 26,180,040</td>
</tr>
<tr>
<td>15-64 years:</td>
<td>67%</td>
</tr>
<tr>
<td>Male: 67,524,642</td>
<td>Female: 68,809,357</td>
</tr>
<tr>
<td>65 years and over:</td>
<td>6.7%</td>
</tr>
<tr>
<td>Male: 5,796,433</td>
<td>Female: 7,899,650</td>
</tr>
<tr>
<td>(2011 est.)</td>
<td></td>
</tr>
<tr>
<td>MEDIAN AGE</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>29.3 years</td>
</tr>
<tr>
<td>Male</td>
<td>28.5 years</td>
</tr>
<tr>
<td>Female</td>
<td>30.1 years (2011 est.)</td>
</tr>
<tr>
<td>POPULATION GROWTH RATE</td>
<td>1.102% (2012 test)</td>
</tr>
<tr>
<td>BIRTH RATE</td>
<td>17.48%/ 1000 population (2012)</td>
</tr>
<tr>
<td>DEATH RATE</td>
<td>6.38%/1000 population (2012)</td>
</tr>
<tr>
<td>NET MIGRATION RATE</td>
<td>-0.09 migrant(s)/ 1000 population (2012)</td>
</tr>
<tr>
<td>URBANIZATION</td>
<td>Urban population 87% of total population (2010)</td>
</tr>
<tr>
<td>Rate of urbanization</td>
<td>1.1% annual rate of change (2011-15 test)</td>
</tr>
<tr>
<td>SEXRATIO</td>
<td>At birth 1.05 male(s)/ female</td>
</tr>
<tr>
<td>Under 15 years</td>
<td>1.04 male(s)/ female</td>
</tr>
<tr>
<td>15-64 years</td>
<td>0.98 male(s)/ female</td>
</tr>
<tr>
<td>65 years and above</td>
<td>0.74 male(s)/ female</td>
</tr>
<tr>
<td>total</td>
<td>0.98 male(s)/ female</td>
</tr>
</tbody>
</table>
### Summary of Global Country Study Report: Brazil

<table>
<thead>
<tr>
<th><strong>INFANT MORTALITY RATE</strong></th>
<th>Total</th>
<th>20.5 deaths/1000 live births (2012 test)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>23.9 deaths/1000 live births</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>16.93 deaths/1000 live births</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LIFE EXPECTANCY AT BIRTH</strong></th>
<th>Total</th>
<th>72.79 years (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>69.24 years</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>76.53 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TOTAL FERTILITY RATE</strong></th>
<th>2.16 children born/woman (2012)</th>
</tr>
</thead>
</table>

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<thead>
<tr>
<th><strong>RELIGIONS</strong></th>
<th>Roman Catholic (nominal) 73.6%, Protestant 15.4%, Spiritualist 1.3%, Bantu/voodoo 0.3%, other 1.8%, unspecified 0.2%, none 7.4% (2000 census)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>LANGUAGES</strong></th>
<th>Portuguese (official and most widely spoken language). Note: less common languages include Spanish (border areas and schools), German, Italian, Japanese, English, and a large number of minor Amerindian languages.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>LITERACY</strong></th>
<th>Definition Age 15 and over can read and write</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total 88.6%</td>
</tr>
<tr>
<td></td>
<td>Male 88.4%</td>
</tr>
<tr>
<td></td>
<td>Female 88.8% (2004 test)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>SCHOOL LIFE EXPECTANCY</strong></th>
<th>Total 14 years (2004 test)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male 14 years</td>
</tr>
<tr>
<td></td>
<td>Female 14 years (2008)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>EDUCATIONAL EXPENDITURE</strong></th>
<th>5.08% of GDP (2007)</th>
</tr>
</thead>
</table>
Industrial Policy of Brazil

Government regulation is like catalyst that always affects may positively or negatively to economic segment of any nation, so here we make glance on the government regulation prevalent at The Brazil. Government Regulation is very important economic-industry aspect. The business organization who wants to enter in the Brazil, they always evaluate the government regulation first before going for industry foundation.

Encouraging Free Economy

Government-initiated privatization after 1996 created a flood of investors in the telecom, energy, and transportation segments. Privatization in the transportation segment has been particularly vigorous over the last 20 years. Many old-fashioned and burdensome state management structures that operated in the segment were dismantled, though some still survive. The Brazilian railroad business was privatized through concession contracts ranging from 30 to 60 years, and the ports segment is experiencing parallel, albeit less generous, privatization.

In response to the significant deterioration in the system of national highways, the federal government decided to live in the road concessions to private companies, which in turn guarantee for the restoration, preservation and expansion of these roads in exchange for toll revenues generated. New opportunities may arise with the opening of civil airports Brazilian private sector management and investment through a federal grant model, but the initiative faces obstacles because of the issues surrounding sovereignty and airfield unions opposition.

United States and Brazil had signed air services liberalization in 2008 that air travel augmented commercial between the two countries. In 2010, it called the Air Transport Agreement and the Memorandum of Understanding for the transfer of air, when it is signed and entered into force, continue and expand the scope of this method.
Favourable Trade Policy

The President made Rousseff economic expansion, and high priorities of poverty alleviation. Export promotion is a key component in the development plans for the production and reduction and which is seen as more vulnerable to fluctuations in the international financial market. Increased to increase exports, and the government is seeking access to foreign markets through trade consultations and encourage exports, including tax breaks for exporters.

Brazil has been a major player in the Doha Round of World Trade Organization and continues to consult in an attempt to achieve this effort to achieve ultimate success. To strengthen its international borders (economically and politically), Rousseff administration is also seeking expanded trade relations with developing countries, as well as a column (Mercosur in Spanish) Mercosur customs union with Uruguay, Paraguay and Argentina. In 2008, Brazil completed the Mercosur free trade agreement with Israel, followed by a new agreement with Egypt in 2010. Mercosul is following consultations for free trade with Mexico and Canada, and resumed trade negotiations with the European Union. This trading strategy is also a block to start negotiations on a trilateral free trade agreement with India and South Africa, based on trade agreements with these countries partially full liberalization in 2004. China has expanded significantly its purchases of Brazilian soy, iron ore and steel in recent years, and became the main export market of Brazil, and an important source of investment.

Current Government Outlook towards Economic Segments

As we all know that Brazil is a developing country so I need to expand the government’s position-oriented economic sector in the country, so we see the government’s initiative a safe and administrative policy for the cultivation of economic growth. Current government policies focus mainly on improving the efficiency of energy use in residential and industrial sectors alike as well as increasing renewable energy. And further restructuring of the energy sector would be one of the key issues of energy investments ensuring enough to
meet the growing need for fuel and electricity. But in some cases, there are specific powers to control every part of the financial sector, especially banks and securities markets, insurance and pensions, but in some cases, commodities, futures, forward, etc.,.

**Encouraging the Foreign Direct Investment In various segments (FDI)**

Government of Brazil in general open and encourages foreign investment. It is the largest recipient of foreign direct investment (FDI) in Latin America and the United States traditionally been the largest foreign investor in Brazil. Since domestic savings are not sufficient to maintain the long-term growth rates are high, and that Brazil should continue to attract foreign direct investment, especially as the government plans to invest billions of dollars in offshore oil and nuclear energy, and infrastructure sectors over the next year. According to our opinion, the Government of Brazil is conducive to business, to be one of the reasons for sustained economic growth, stability and balance in the unfavorable climatic conditions.

**POLITICAL CONDITION OF BRAZIL**

Brazil has a Federative republic type of government. Brazil had got independence in September 7, 1822. Its constitution came in to force on October 5, 1988. Its legislative body consist of senate constitution with (81 popular member who are elected to staggered 8-year duration period), Deputies of Chambers (513 popular members are elected to every four year by them) Judiciary by which Supreme Federal Tribunal had elected (11 lifetime positions appointed by the president). Total 26 states are for Federal Republic and one for Federal District. In 1988 constitution were allowed to broaden powers to the federal government. It is made up of executive and judicial branches. The president can be in position in office for 4 years, with the power to re-election for an additional term, and can appoint the cabinet.

Brazil has a diversity of regional political cultures. Politics in the northeast and north are much more dependent on political benevolence from Brasília than are the southern states and South East. Both India and Brazil are huge country with social diversity, democratic shape of administration,
multi-ethnic residents, and a large population base. India and Brazil are equipped with advanced technology. The two from countries such as perceptions on issues of significance to developing countries and have cooperated in joint fora on issues like international trade and development, the environment, in favor of reform and the Security Council expansion. There are many organizations teaching yoga and the organizations they invite yoga teachers from India for its working.

In recent years, Brazil and India have increased their relations significantly and cooperation between the two country clubs has been extended to various fields such as science and technology, pharmaceuticals and space. Mutual trade in 2007 nearly doubled to U.S. $3.12 billion from $1.2 billion in 2004.

Regional, ethnic and cultural disparities made Brazil one of the most egalitarian countries in the world. Unfortunately, the “New Republic” which followed has not yet succeeded in significantly improving the situation of the country’s citizens.

The Land Reforms has been introduced by the Government of Brazil in order to increase the production level and to upgrade the life style of the people who are depending on agriculture for their livelihood. The land reformation brought the green revolution and increased the job opportunities for millions of people.

POLITICAL PARTIES AND ELECTIONS:

- As per sociologist Marcelo Ridenti, Brazilian politics is divided between internationalist liberals and statist nationalist.
- The 1st group consists of politicians who disagree that the internationalization of the economy is necessary for the development of the country, while the other group depend on interventionism, and protection of state enterprises.
According to Ridenti, who cites the Fernando Henrique Cardoso administration as an example of the 1st group and the Luiz Inácio Lula da Silva administration as an example of the second, "we have it cyclically".

Lula's Workers' Party tend to the statist nationalism side, though there are privatizing forces within his party and government, while Cardoso's Social Democratic Party tend to favor the international private market side by taking neoliberal policy.

That is especially true when considering that Lula compares himself with Getúlio Vargas, Juscelino Kubitscheck and João Goulart, presidents seen as statist nationalist

As of November 2010, 13.8 million Brazilians were associated to a political party. That accounts for 7.3% of the country's population and 10.2% of voters. The favorite parties are PMDB (which accounts for 16.6% of affiliated voters), the Workers' Party (10.0% of affiliated voters), and PP (9.8% of affiliated voters).

DIFFERENT GOVERNMENT DURING THE CONSECUTIVE YEARS

1. COLLOR GOVERNMENT (1990-1992)

HEIRARCHIES OF GOVERNMENT

- FEDERAL GOVERNMENT
- STATES
- MUNICIPALITIES
- THE FEDERAL DISTRICT
ECONOMIC OVERVIEW

As per the forecast BRIC economies will overtake G7 economies by the year 2027. The BRIC forecast are based on the assumptions that resources are too much and highly available when needed. Commentators stated that China and Russia's high scale disregard for human rights and democracy could be a problem in the future. The Brazilian economy is 7th largest all over the world by nominal GDP and 8th largest by PPP (purchasing power parity). Brazil has free markets and it is an import-oriented economy. Brazil is a member of various economic organizations, such as MERCOSUL, UNASUL, G8+5, G20, WTO, and the Cairns Group. It has numerous trade partner's, with 60% of exports mainly of manufactured or semi manufactured goods.

Trade balance of Brazil was $20 billion surplus in 2011. Its exports were $202 billion. It has the major markets consists of China 15%, which were the favorable to export the goods and services. The next were from U S had 10%, and also from Argentina there was 9%. Total import was around $182 billion. Its core supplier countries consists of China 14%, United States 15% and Argentina 8%. Its Exchange rate was U.S. $1 = 1.75 Brazilian real on October 3, 2011.

Brazil is gaining eight positions among other nations, overtaking Russia for the first time, and closing the competitiveness gap with China and India among the economies of BRIC countries. The country is having a satellite launching centre and was the only country in the Southern Hemisphere part to integrate the team responsible for the development of the International Space Station (ISS). Brazil, along with Mexico, has been at the forefront of the South American multinationals phenomenon by which, thanks to superior technology and organization, local companies have successfully turned to global.
Brazil is the chief national economy in South America, seventh major as per market swap over, eighth largest in Purchasing Power Parity (PPP), according to the IMF and the IBRD in all over the world. Brazil is economy with tremendous amount of natural reserve like mines, oil and gas reserve, fertile land etc. As per present projection Brazilian economy will become world’s fifth main economy in upcoming decades. Its current GDP (PPP) per capita is $10,200, putting Brazil in the 64th position; according to IBRD (International Bank of Reconstruction and Development) data. It has massive and growing agricultural, mining, manufacturing and service industry, as well as a big labour pool. The GDP of the Brazil are about US 2.517 trillion dollar.

**Reasons Why Brazil Is an Intelligent Property Investment**

**Location**

- Lowest property prices in the world.
- Increase in manufacturing industries.
- Brazilian people are friendly, cheerful and cities in Brazil are vibrant and exciting with carnivals and music.
- Brazil is now self sufficient in Oil.
- Brazil is considered as a destination with low risk in term of War, Terrorism and natural disasters
- President Lula has brought huge hope and improvement to Brazilian people through his efforts.
Summary of Global Country Study Report : Brazil

- Inflation in Brazil is also at an all time low.
- Leading financial experts say Brazil will be one of the future economic leaders along with Russia, India and China (BRIC's).
- The Cost of living in Brazil is much low as compared to UK/Europe
- Beautiful Country with fantastic scenery and beaches
- Foreign investment encouraged

<table>
<thead>
<tr>
<th>World Rank</th>
<th>Company</th>
<th>Industry</th>
<th>Revenue (billion $)</th>
<th>Profits (billion $)</th>
<th>Assets (billion $)</th>
<th>Market Value (billion $)</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Petrobras</td>
<td>Oil &amp; Gas Operations</td>
<td>138.80</td>
<td>21.26</td>
<td>313.2</td>
<td>238.8</td>
<td>Rio de Janeiro</td>
</tr>
<tr>
<td>20</td>
<td>Vale</td>
<td>Mining</td>
<td>46.54</td>
<td>18.12</td>
<td>132.8</td>
<td>184.9</td>
<td>Rio de Janeiro</td>
</tr>
<tr>
<td>51</td>
<td>Itaú Unibanco</td>
<td>Banking</td>
<td>71.47</td>
<td>8.37</td>
<td>507.8</td>
<td>115.0</td>
<td>São Paulo</td>
</tr>
<tr>
<td>64</td>
<td>Ambev</td>
<td>Beverage</td>
<td>15.90</td>
<td>4.75</td>
<td>54.92</td>
<td>86.45</td>
<td>São Paulo</td>
</tr>
<tr>
<td>80</td>
<td>Banco Bradesco</td>
<td>Banking</td>
<td>52.43</td>
<td>6.37</td>
<td>445.1</td>
<td>74.32</td>
<td>Osasco, SP</td>
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<tr>
<td>101</td>
<td>Banco do Brasil</td>
<td>Banking</td>
<td>48.97</td>
<td>7.00</td>
<td>546.9</td>
<td>54.89</td>
<td>Brasilia</td>
</tr>
<tr>
<td>203</td>
<td>OGX</td>
<td>Oil &amp; Gas Operations</td>
<td>14.54</td>
<td>5.51</td>
<td>6.74</td>
<td>39.23</td>
<td>Rio de Janeiro</td>
</tr>
<tr>
<td>235</td>
<td>Itaúsa</td>
<td>Conglomerates</td>
<td>66.44</td>
<td>2.33</td>
<td>342.6</td>
<td>36.08</td>
<td>São Paulo</td>
</tr>
<tr>
<td>342</td>
<td>CSN</td>
<td>Steel &amp; Cement</td>
<td>9.34</td>
<td>1.94</td>
<td>16.88</td>
<td>30.47</td>
<td>Rio de Janeiro</td>
</tr>
<tr>
<td>398</td>
<td>Gerdau</td>
<td>Iron &amp; Steel</td>
<td>23.40</td>
<td>1.49</td>
<td>27.66</td>
<td>23.18</td>
<td>Porto Alegre</td>
</tr>
<tr>
<td>487</td>
<td>Eleetrobras</td>
<td>Utilities</td>
<td>16.40</td>
<td>1.32</td>
<td>78.45</td>
<td>21.22</td>
<td>Rio de Janeiro</td>
</tr>
<tr>
<td>547</td>
<td>Usiminas</td>
<td>Mining &amp; Siderurgy</td>
<td>7.95</td>
<td>1.02</td>
<td>18.95</td>
<td>19.33</td>
<td>Belo Horizonte</td>
</tr>
<tr>
<td>640</td>
<td>Embraer</td>
<td>Aerospace &amp; Defense</td>
<td>6.14</td>
<td>1.03</td>
<td>15.69</td>
<td>17.56</td>
<td>São José dos Campos, SP</td>
</tr>
</tbody>
</table>

Brazil is usually open to and encourages foreign investment. It is the principal receiver of foreign direct investment (FDI) in Latin America, and the United States is conventionally the top foreign investor in Brazil. Since
domestic savings are not enough to maintain long-term high growth rates, Brazil must continue to catch the attention of FDI, especially as the government tactics to invest billions of dollars in off-shore oil, nuclear power, and other infrastructure segments over the next few years. The major international athletic competitions that Brazil will host every year until the 2016 Rio Olympics are also most important the government to spend in roads, airports, sports facilities, and other areas.

By being the main Latin America economy, diversified, and with a high developed business, Brazil has a striking household and international environment for investments. Brazil’s GDP is among the ten major in the world. As a part of the BRIC nations, along with China, India, and Russia, Brazil may be in the midst of the top five economies worldwide by 2050. The political consolidation in a self-governing and peaceful environment has grown foreign self-belief in the country. This confidence is also strengthened by a further steady and sustainable economy, which has shown improvements in macroeconomic indicators such as inflation control, lower interest rate, steady GDP growth, advancements in the allocation of income, etc. Brazil’s people are distributed in the fifth largest country in the world, and constitute the fifth largest customer market in the planet. It is a multicultural gracious humanity, with no conflicts.

The nation offers excellent infrastructure, with extensive roads, and many ports and airports. It has also superior financial and telecommunication systems. Besides, the Brazilian administrative class is renowned for its entrepreneurship, competence and creativity. Brazil is an energetic participant in the World Trade Organization (WTO) and the United Nation (UN), and is a doorway to Mercosur and South America. The country has two-pronged agreements with several other countries, and is among the twenty-five largest exporting countries worldwide. Brazil is a most significant producer of aircraft, consumer merchandise, energy and minerals, and food. Within the agribusiness segment, it is the major exporter of coffee, sugar, orange juice, chicken meat, tobacco and alcohol.
Characterized by large and well-developed agricultural, mining manufacturing and service sector, Brazil economy outweighs that of all other South American countries, and Brazil is expanding presence in world markets. 2008, Brazil became a net external creditors and 2 ratings agencies awarded investment grade status to its debt. After a record growth in 2007 and 2008, the onset of global financial crisis deteriorated its economy in September 2008. Brazil experienced 2 quarters of recession, as global demand for commodity-based exports dwindled and external credit dried up. However, was 1st of first emerging markets to begin a recovery? Consumer and investor confidence revived and GDP growth returned to positive 2010, boosted by an export recovery. Brazil's strong growth and high interest rates make it an attractive destination for foreign investors.

Brazil has free markets and export-oriented economy and is currently the 9th largest economy and the largest in Latin America. The city of Sao Paulo is also the financial centre of South America. The service sector is the largest component at 66 followed by the industrial sector at 20%. Agriculture represents only 14% of The Brazilian labor force is estimated at 99.47 m of which 20% is occupied in agriculture, 14% in the industry and 66% in the service sector.

Brazil is the largest Internet market in Latin America and the 9th largest in the world, according to the U.S. Commercial Service report. The Brazilian Chamber of Electronic Commerce reports that online commerce totaled approximately US $8 billion in 2008 and is estimated to grow over 45 percent in 2009. Brazilians purchase variety of goods over the internet with books and magazines being the most common. Software, electronics, health and beauty products, mobile phones are also frequently purchased online according to e-bit, a Brazilian market research firm.

Brazil's major economic sectors are all constantly developing. The agriculture sectors of Brazil represent a larger percentage of the GDP than industry till 1945. In the agriculture sector, Brazil is one of the major producers of soybeans and coffee. Major competitors watch Brazil's weather to determine the success of the soybean and coffee season for setting
international prices based on Brazil's harvest. The agriculture sector represented 8.4 percent of GDP in 1999 and employed 31 % of the labor force. The Footwear Industry is the major finished goods exporting industry of Brazil. Service Sector is the third most important developed sector of the Brazilian economy. It represented 59.9 percent of the GDP in 1999. To summarize the important industries which greatly contribute to the economy are textiles, chemicals, iron ore, steel and motor vehicles. Exports sector in the country has relative importance. Major export items of the country are iron ore, cocoa beans, tobacco, maize and sisal. The country has huge deposits of minerals such as iron, phosphates, manganese, uranium, copper, coal platinum and gold.

**Brazil Sectors**

Brazil GDP breakdown by sector can be divided by three sectors Service Sector 66%, Industry Sector 28% & Agriculture Sector 6%.

![Brazil GDP Breakdown by Sector](http://www.state.gov/r/pa/ei/bgn/35640.htm)

**Agriculture Sector**

Grains- As per the survey, Brazil’s grain harvest area is increase up to 48.6 million hectares in 2011, which is a rise of 4.3 percent as compared to the harvested area in 2010. The cultivation of soybean, corn and rice representing 90.8 percent of the volume of grain production. Production of grains in 2011 is highest in southern region.
Summary of Global Country Study Report: Brazil

- South: 66.0 million tons (increased 2.8% year-on-year)
- Midwest: 57.0 million tons (increased 8.5% year-on-year)
- Southeast: 16.4 million tons; (decreased - 3.8% year-on-year)
- Northeast: 15.0 million tons (increased 26.5% year-on-year)
- North: 4.3 million tons (increased 7.4% year-on-year)

**Soybean**

The main producers of soybean are the United States (35%), Brazil (27%), Argentina (19%), China (6%) and India (4%). The beans contain significant amounts of phytic acid, alpha-linolenic acid, and the isoflavones genistein and daidzein. In 2011-12 the production of soybean was 70 million tons.

**Paper Industry**

A key sector which plays a significantly role for tax, income, knowledge, jobs, social welfare and wealth in Brazil is pulp and paper. Today Brazil ranks as one of the major bleached craft short fiber market pulp...
producer in the world, and at the same time, its paper industry is also emerging in the global market. The example to this is the European market which is being handled by the Brazilian paper manufacturers. The main raw material used by the Brazilian paper industry includes the eucalyptus tree and the pine tree.

Packaging Industry

Brazil has achieved tremendous results in the packaging sector; it is the fifth largest world producer. The material used in packaging industry are paper 36%, plastic 34%, metal 17%, glass 10% & others 3%.

Illustration: 1

Cattle raising and beef production sector

The activities that include usage of soil for cultivation and raising the livestock are all the part of Farming and cattle raising. This sector itself is responsible for about 27% of the direct Gross Domestic Product of Brazil, approximately 42% of total exports for the year 2009 and about more than 16 million jobs. Brazil is a leading producer and exporter of various agriculture and livestock products. During the year 2008 the Brazilian livestock and cattle rearing segment grew by 5.8% and involved revenue of R$163.5 billion.
Coffee Industry

Brazil is the leader in coffee production. This market is particularly sensitive to the changes in weather. Rainfall is very important during September, October and November. In world coffee production share Brazil have a share of 32%.

Cotton Industry

In 2011 cotton crop is expected to average 3.700 kg (8,140 lbs) p/hectare; an increase of 1.8%. The market is traded with a minimum price fluctuation of 0.05 cents per pound indicating a change in value of $18.75 per contract. Brazil is 5th largest cotton producer after China, India, U.S.A & Pakistan.
COTTON PRODUCTION IN BRAZIL

Top ten cotton producers—2011
(480-pound bales)

<table>
<thead>
<tr>
<th>Country</th>
<th>Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>30 million</td>
</tr>
<tr>
<td>India</td>
<td>27 million</td>
</tr>
<tr>
<td>United States of America</td>
<td>18.0 million</td>
</tr>
<tr>
<td>Pakistan</td>
<td>10.3 million</td>
</tr>
<tr>
<td>Brazil</td>
<td>9.3 million</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>4.6 million</td>
</tr>
<tr>
<td>Australia</td>
<td>4.2 million</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.8 million</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Greece</td>
<td>1.4 million</td>
</tr>
</tbody>
</table>

Sugarcane Industry

Brazil is the world’s largest producer of sugar cane (33.9%) producing 643393752 Tons in 2011, sugar (18.5%) and ethanol (36.4%); and the largest exporter of sugar as well as ethanol. The south-central part of Brazil is responsible for maximum amount of the sugarcane production which is about 87% of total production. Sao Paulo is the largest producing state of Brazil with approximately 340 million tons of production.
Top Ten Sugarcane Producers- 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>643393752</td>
</tr>
<tr>
<td>India</td>
<td>348204500</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>124917502</td>
</tr>
<tr>
<td>Thailand</td>
<td>73501610</td>
</tr>
<tr>
<td>Pakistan</td>
<td>63920000</td>
</tr>
<tr>
<td>Mexico</td>
<td>51106900</td>
</tr>
<tr>
<td>Colombia</td>
<td>38500000</td>
</tr>
<tr>
<td>Australia</td>
<td>32621113</td>
</tr>
<tr>
<td>Argentina</td>
<td>29950000</td>
</tr>
<tr>
<td>Philippines</td>
<td>26601400</td>
</tr>
</tbody>
</table>

Rubber Industry

Brazil, Bolivia, Venezuela and Peru were the only exporters of natural rubber till the 20th century and Brazil is responsible for selling almost 90% of the total rubber commercialized in the world. The major reason for continuous growth of Brazil is because most of its rubber trees grow in the Amazon. During 2010, domestic rubber production in Brazil was 130,000 tons and by the year 2030, it is expected that the domestic demand for rubber in Brazil will hit one million tons.

Tobacco Industry

Brazil is ranked second in the world after China for the tobacco production and therefore any changes in international tobacco trade are very important for Brazil. The new improvements have led the Brazilian tobacco to a new height, and the production capacity has also been increased mainly for export purpose. About 135,000 Brazilian families’ depend upon
tobacco production for their livelihood. The darker, air-cured and sun-cured tobaccos are grown in the northeast region these tobaccos are mainly used in cigars. Brazil’s government helps the farmers by providing them small loans for family farms, through the Programa Nacional de Fortalecimiento da Agricultura Familiar (PRONAF).
INDUSTRY SECTOR

Petrochemicals

Brazil accounts for 46% of South America's basic petrochemical capacity. Braskem and Petrobras are leading Brazilian petrochemical companies. The Company is the fifth largest in the world.

Energy

Brazil is the 10th largest energy consumer in the world and the largest in South America. At the same time, it is an important oil and gas producer in the region and the world's second largest ethanol fuel producer. The Petroleum Investment Law was adopted in the year 1997, which established a legal and regulatory framework, and liberalized the production of oil. The main objectives of this law were the creation of the CNPE and the ANP, increased use of natural gas, increased competition in the energy market, and investments in power generation.

The policies of government today concentrate mainly on increasing the energy efficiency, in both residential and industrial sectors, as well as increasing the development and use of renewable energy. Primary energy sources are mainly Oil, Natural gas, Oil shale, Uranium, Electricity, Hydropower, Nuclear energy, Wind energy, Biofuels.

Automobile

Brazil is one of the fastest growing automobile manufacturing markets in the world.

Despite less than stellar economic performance in 2009, there was definite improvement in 2010. New car sales were still robust growing 11% in respect to volume on their 2009 levels. This equated to sales of 3.52 million vehicles. With a population quickly nearing 195 million, and with a greater
share of Brazil’s wealth being distributed, Brazil comprises 21.1% of the entire new car market in the Americas in relation to value.

Fiat has the biggest market share of about 22.84% in the Brazilian automobile market, Volkswagen is on the second position with the market share of about 20.95%, General motors, Ford, and Peugeot etc are few other brands that dominate the Brazilian automobile market.

<table>
<thead>
<tr>
<th>Companies</th>
<th>Market share 2010 %</th>
<th>Change 2009–2010</th>
<th>Volume 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>20.95%</td>
<td>7.87%</td>
<td>651,545</td>
</tr>
<tr>
<td>Ford</td>
<td>10.1%</td>
<td>0.00%</td>
<td>314,110</td>
</tr>
<tr>
<td>General Motors</td>
<td>19.75%</td>
<td>0.20%</td>
<td>614,225</td>
</tr>
<tr>
<td>Fiat</td>
<td>22.84%</td>
<td>6.74%</td>
<td>710,324</td>
</tr>
<tr>
<td>Citroen</td>
<td>2.52%</td>
<td>9.57%</td>
<td>78,372</td>
</tr>
<tr>
<td>Peugeot</td>
<td>2.71%</td>
<td>0.37%</td>
<td>84,281</td>
</tr>
<tr>
<td>Hyundai</td>
<td>3.18%</td>
<td>34.75%</td>
<td>98,898</td>
</tr>
</tbody>
</table>

Steel

Growth in the production of crude steel was strong at 7.8% in the first eight months of 2011, while rolled steel production fell 3.1% and domestic sales rose just 0.6%. The Brazilian steel industry managed to offset poor domestic performance with 43.5% growth in export volume while imports fell 35%. Much of the decrease was seen in the early months of the year with acceleration in import growth from June
The major part of steel produced in Brazil is meant for export. Most of the steel is exported to China to meet their enhanced requirement of steel. Some of the aspects which are in favor of the Brazil Steel Industry include large amount of raw materials (ore of iron, non-renewable energies, coke or charcoal, etc.) required for steel production and availability of cheap labor in comparison to the OECD countries.

**Commercial aircraft**

There are two major aircraft manufacturers in Brazil. One is Embraer which is the world’s third-largest aircraft manufacturer. It has produced more than 5,000 aircraft that operate in 92 countries, and another is TAM which is Brazil’s largest airline going by its market share which offers passenger and cargo air transportation services in several countries like Brazil, Argentina, Chile, Uruguay, Paraguay, and the U.S.

**SERVICE SECTOR**

**Banking**

Bank of Brazil, Banco Bradesco, Itau Unibanco, HSBC Bank Brasil, Banco Safra are one of the largest banks of Brazil. Itau Unibanco came into existence from the merger of Banco Itau and Unibanco. Bank of Brazil (Banco do Brazil S.A.) was founded in 1808 and is the oldest active bank in the country. Banco Bradesco is one of the four biggest banks in Brazil, Bank
of Brazil and holds a market leadership in retail banking. HSBC Bank Brazil offers a range of personal financial services which includes current accounts, insurance, credit cards, loans and pensions and the bank also provides a range of different services to small and medium-size enterprises.

**Telecommunication**

Mobile market in Brazil seem to have watched little in the way of a decelerate, with main cities and town regularly generate strong growth despite having passed maturity. Services like Low-cost grab the attention of new subscribers to the market, allowing the market to continue growing. Cellular phone market leader Vivo is at the centre of an ownership battle between Telefónica and Portugal Telecom, which mutually possess the operator. Telefónica is eager to combine its fixed and mobile operations in Brazil as América Móvil acquires Telmex Internacional, giving it converged operations in the Brazilian market through Claro and Embratel. Government of Brazil's give attention to the improvement of broadband services in the country, by the information of its Plano Nacional de Banda Larga (PNBL - National Broadband Plan) showing that former incumbent Telebrás is to be re-energized the supply of network, so that broadband services can be provided to a broader population of Brazil's. Currently cellular operators present in the market are less than delighted; they believe that competition will be damaged.

**Companies:**

- Oi
- Telefónica
- Embratel
- Vivo
- Tim brasil
- América Móvil

**Health**

An important progress has been made in recent years in the area of health. In 1999, José Serra, who was to stand for the presidency in 2002, was
Minister for Health and passed an ‘exceptional law’ allowing the large-sale distribution of generic medicines at low prices. Public health care is provided to all Brazilian permanent residents and is free at the point of need. Brazil is among the greatest consumers markets for drugs, accounting for 3.5 % share of the world market. Brazilian emergency medical service is locally called SAMU (Mobile Emergency Attendance Service). In 2002, the Ministry of Health outlined a document, the "Portaria 2048," which called upon the entire health care system to improve emergency care in order to address the increasing number of victims of road traffic accidents and violence, as well as the overcrowding of emergency departments (EDs) resulting from an overwhelmed primary care infrastructure. A current plan in action in Brazil is CATCH plan. (Commission for the Advancement of Technology for Communications and Health). Funding is provided by the WHO, ITU, and voluntary countries.

Tourism

Tourism in Brazil is a growing sector and key to the economy of several regions of the country. In Brazil the main location of tourism development and the emergent sector is North East. The advancement of Brazil's tourist industry and ecotourism is a way of increasing job creation and foreign currency. Rather, the focus is on boosting Brazil’s geographical location, development of its infrastructures, with attention on turning tourism industry and the north east's leisure into a sincerely feasible investment opportunity in order to creating more favorable conditions to attract overseas investments.

Major Cities:

Rio de Janeiro (with 38% of tourists) –

- Tourist attraction: Carnival (the biggest Attraction), Christ the redeemer and the beaches.

Sao Paulo (20% of visitors) – Biggest city of Brazil

Main reason: Business or Conventions.
Summary of Global Country Study Report: Brazil

- Tourist’s attraction: this city never sleeps; Main attractions are the GP Brazil Formula 1

**Salvador, Bahia** (13% of visitors) –

- Tourist’s attraction: The Carnival

**Foz do Iguacu (Paraná)** –

- Main Attraction: The Fortaleza water-falls, most spectacular and the longest water fall of the world.

**Socioeconomic Condition in Brazil**

A socioeconomic transformation took place rapidly after World War II. During the 1940s, approximately 30% of Brazil's 41.2 million inhabitants used to live in towns and cities; but by the end of 1991, of about 146.9 million inhabitants 75.5% started living in cities, São Paulo and Rio de Janeiro are Brazil’s largest cities and world’s largest metropolitan centres.

The contribution of primary sector in the gross national product was about 28% in 1947 but is 11% in 1992 a reduction of about 17%, and in the mean time the contribution of industry to GNP increased from about 19% and reached to 39%. The industrial sector accounts for the production of a wide variety of products that range from consumer goods to intermediate goods to capital goods for both the domestic market and for export.

With its mixing background of Portuguese, Italian, German, Japanese, East European and African immigrants, Brazil offers a broad spectrum of culture and social activities, depending on the region. Most major cities support culture institution. Many clubs in the Brazil offer extensive sports and social facilities.

When you first meet your business associates, they’ll probably shake your hand. Afterwards, you may be kissed on the cheeks by males and females alike, if you are a woman, and by women, if you are a man. Brazilians
normally speak in close proximity with lots of physical contact, such as touching arms/elbows while talking or even back slapping between men. Eye contact is expected and last but not least thing to be remembered is that the “OK” hand signal is a rude gesture in Brazil.

The Brazilian economy suffered between 1980s and 1990s from inflation that slowed down the economic growth. The government took various economic initiatives but failed. In 1994 the Plano Real was introduced which brought stability and made Brazil to grow economically. Despite of this rapid development Brazil suffered of poor economy, poverty etc.

The Brazil was suffering from economic imbalance the rich were very rich and the poor were very poor. There are very few or nil number of people that could be classified as the middle class. The landowners who were rich had the control of the government, the industry and the trade. It was necessary for the people to be literate in order to vote so the poor who can’t afford to go to school didn’t able to vote. No funds are provided by the government to those who can’t afford an education. So the poor are stuck in the cycle of poverty for their entire lives.

With regards to family agriculture, over 800 thousand rural people are assessed by credit, research and extension schedule. Brazilian government is working towards the making of comfortable infrastructure through partnerships, international & local policies and foreign partnerships. There are some examples of schools and health outlets. The access to land takes forward towards the first step of implementation for quality land reform program.

It ranks among the world's highest nations in the Gini coefficient index of inequality assessment. A study showed that poor segment constitutes roughly one third of the population while the extremely poor make out 13% and the income growth of the poorest 20% population segment is almost in par with China, while the richest 10% are stagnating.

- **Population below poverty line**: 26% (2008)
- **Labor force**: 103.6 million (2010)
Household income/consumption by percentage share: Lowest 10%: 1.2%   Highest 10%: 42.5 % (2009)

Labor force - by occupation:

- Service: 66%
- Agriculture: 20%
- Industry: 14%

Crime in Brazil

In Brazil with roughly 23.8 homicides per 100,000 residents’ robberies, kidnappings, muggings, gang violence, corruption and police brutality are widespread. Government established National Public Security Force (FNSP) in June 2004 by the Ministry of Justice, to act in situations of emergency, in times of crisis.

Health

Government is responsible for primary health care and public health care is provided to all permanent residents and foreigners for free at the point of need (being paid for from general taxation). It has number of international health organizations - Latin American and Caribbean Center on Health Sciences Information, and the Edumed Institute for Education in Medicine and Health.

Education

Primary schools maintained either by municipalities or the states obliged to use 25% of budget in education provide free education at all levels making education compulsory as per the article 208 of the Brazilian Constitution. Several problems related to education are: Economic disparities between states affect the education quality. School non-attendance resulting from high absence due to child labor, lack of sufficient school places, high examination failure rate and malnutrition affecting intellectual development of children, giving them little chance of adapting to an educational environment.
Summary of Global Country Study Report: Brazil

Unemployment rate: 6.7% (2010) 8.1% (2009)
Urban population: 87% of total population (2010)
Rate of urbanization: 1.1% annual rate of change (2010-15)
Population growth rate: 1.134% (2011)

Country comparison to the world: 104

Birth and death rate: 17.79 births / 1,000 population (2011)
Country comparison to the world: 108 and 6.36 deaths / 1,000 population (July 2011) Country comparison to the world: 151

TECHNOLOGICAL CONDITION OF BRAZIL

Brazil is one of most emerging countries in the world which has the highest literacy and good educational system that creates a sound establishment for future developments.

The scientific and functional research is mostly carried out in public universities and research institutes; though there are some private institutions and non-profit non-governmental organizations that also have research programs. That said, in most cases the funding still comes from government.

The Brazilian Space Agency has the most superior space program in Latin America, to launch vehicles, launch sites and satellite developer.

Statistics:

- largest aerospace power of the southern hemisphere
- largest fixed line telephone market of Latin America
- 3rd in the world in the aircraft industry
- 3rd largest global steel making industry
- 3rd in the global computer market
- 4th leading TV network in the world
- 5th leading mobile phone market.
- 7th largest manufacturer of cars in the world
- 8th world oil producer
- 10th world manufacturer of capital goods.
ENVIRONMENTAL CONDITION OF BRAZIL

Brazil is a most important player in the environmental negotiations. Brazil's Amazon rainforest consists with 30% of the world's remaining tropical forests, and in accumulation to providing shelter to at least one tenth of the world's plant and animals, the rainforest acts as a instrument for absorbing carbon dioxide from the environment.

In 1981 Brazil acted a broad environmental regulatory program, the National System for the Environment or SISNAMA (Brazilian Law Nº 6938). Under SISNAMA three federal agencies have authority to administer environmental protection laws: the Superior Environmental Council (CSMA), the National Environment Council (CONAMA) and the Brazilian Institute of the Environment and of Renewable Resources (IBAMA). The Brazilian Constitution was amended in 1988 which includes a fundamental right to an satisfactory atmosphere. The State of Sao Paulo has an institutional oversight system made up with the State Secretariats, municipalities, universities, non-governmental organizations, and the Judiciary and Legislative Chamber, that helps coordinate and oversee government agencies in charge of surroundings safeguard (Sao Paulo State Institutional System).

Major Environmental Legislation

- Brazil Law Nº 6938; National Environmental Policy
- Law of Public Action on Liability for Damage Caused to the Environment
- Consumers, and to Assets and Rights of Artistic, Aesthetic and Scenic Value(1985)
LEGAL CONDITION OF BRAZIL

The Brazilian legal system has consisted with the Civil Law tradition and the Federal Constitution, since October 5th, 1988. It is the supreme rule of the country. The Constitution runs the country as a Federal Republic, which has been created by the unbreakable union of the states and municipalities and of the Federal District. The 26 federate states have given powers to take up their own Constitutions and laws.

Federal laws get hierarchically advanced to any state or municipal law. The federal government has specified the special authority to legislate on civil, commercial, penal, procedural, labor, electoral, agrarian, maritime, and aeronautical and space matters. Federal law also has the special authority to rule on matters such as energy, telecommunications, insurance, foreign trade, nationality and citizenship, among others.

The Brazil government has concomitant authority to legislate on certain matters, like tax, financial, education, environment and the consumer. The federal government provides the general guidelines, outlining main issues and rules, while the states and the Federal District is in charge of supplementary legislation as par their own specific needs, but due regard for the generic federal law prescriptions. The municipality’s legislative authority controls local interest and municipal taxes.

Main legal documents are codes. The main important codes are the Civil Procedure Code, Tax Code, Penal Code, and Civil Code. The Civil code has more then 2000 articles. The civil codes regulate matters of Obligation & Contracts, Real Estate, Business & Corporation and many others. Brazilian Tax system is regulated by TAX Code. Federal, State & Municipal laws support the TAX code. The Penal Code brings the definitions of conducts considered crimes and the punishments for any appropriate and respective legal descriptions. At last, the Civil Procedure Code regulates remaining process of law.
INTRODUCTION TO IRON AND STEEL INDUSTRY OF BRAZIL

There have been important changes in the market structure of Steel industry in Brazil due to the entry of various foreign companies and expansion of Brazilian firms abroad. In the Brazil’s economic history 1990s earmarked the most remarkable event of privatization of the biggest state owned companies. Before privatization the state owned companies was able to produce more than 70% of the national production in the sector. Collor de Mello was the man behind such a reform. Privatization in steel industry was mainly of two types; privatization of small plants and privatization of large ones. Cosim was the first company to be privatized in Brazil. Initially there were six companies namely Usiminas, CST, Acesita, CSN, Cosipa, Acominas which were privatized due to financial necessity and need for diversification. Gerdau the biggest company in the steel business also brought companies under its belt.

Brazil was the first country to carry out privatization by way of auction in the steel industry. The privatization was carried out in three blocks namely a)an auction of common shares b) auction of non-voting shares c) public offering of heavily discounted shares directed exclusively at employees. Brazil is a rich country in terms of the resources it possesses and due to the large river basin of Amazon river on the northern part of Brazil. Minerals, iron ores
are available in plenty. The different companies in Brazil in the steel industry such as Gerdau, CSN, Vale S.A., etc. make products such as long carbon steel, flat steel, specialty steel, forged and cast parts and also provide related services to such products. Companies have started maintaining a modern Research and Development Center as the demands of various clients are also changing. Trading and investments also take place in the iron and steel raw materials, such as iron ore, metal scrap and other minerals. Recycling process is also the new drive adopted in the industry which is helping to make optimum use of materials to create maximum effective and provide maximum support.

The functions of business are not just limited to doing business to earn profit but it now being done by taking utmost care of the social responsibility necessary to sustain in the market. A special observation about the steel making companies of Brazil is that after the exploration work is carried out by the respective firms it conducts forest restoration program to restore trees and other plants in the areas explored and where there have been significant damage. The Greenfield investments in Brazil was in existence but from period 2003-2010 the investments in those fields declined to a great extent and the rate of acquisitions increased to great height. The salaries and wages of people in Brazil is rising and so they have enough amount available to spend for their requirements.
Brazilian steel industry was in existence for a long time but its development was noticed in the nineteenth century. Steel is a very vital component in anybody’s life and it becomes impossible to think without it. World steel report suggests that the state of steel is creating a new trend and rapidly proliferating in different ways and in a way helping trade possible to various countries. India and Brazil gave tremendous performance in the steel production to the world at large. Brazil is also a key player in the export and import of iron and its related finished and semi-finished products all across the globe. Brazil is the largest producer of steel in the Latin America and second largest producer in the American sub-continent after U.S. A new cycle of growth for Brazil steel industry began in 1950. It was fully operational in all its lines and by 1970 it delivered 5.5 million tons of steel in the market. Brazil Steel Park which was mostly concentrated in the state of Minas Gerais and Rio-Sao Paulo axis due to plentiful availability of raw material were used for producing steel.

Brazil's leading trade partners, 2009

![Graph showing trade partners](image)

Bruce Jenkins (WRI consultant) calculations from US International Trade Commission Trade Map.

Brazil steel industry has important competitive advantage with big iron ore mines with high iron ore content and modern equipment’s which makes it one of the most efficient steel making industry. The integrated transportation
modal plant-railway-port also gives Brazil competitive advantage. Brazil was engaged in a series of economic reforms. Liberalization, Privatization, and supportive legal and structural framework helped Brazil steel industry in many ways.

As per the market data, 2010 Brazil has 28 mills in the steel producing park which includes 13 integrated from iron ore, 15 semi-integrated from processing pig iron and scrap which is managed by 10 business groups. Brazil’s steelmaking park today comprises 27 mills, controlled by eight business groups, namely ArcelorMittal Brazil, Gerdau, CSN, Usiminas, and SINOBRAS, V&M do Brasil, Villares Metals and Votorantim Siderurgia. As per the report of World Steel Association February 2012 report Brazil’s steel production rose to 3.4 Mt which is 3.4% higher than February 2011.

According to data of 2009, the consumption of steel was more than 50% by civil construction and automotive field. The crude steel production of Brazil was more than 30 million metric tons and largest among all the South American countries followed by Argentina which produces 5.6 million metric tons in the year 2011. In 2010 Brazil was the top most exporters of steel mill products where it had exported more than 0.8 million tons on the same year. Import licensing rules, above-average tariffs on certain goods and various import restriction all contribute to the challenge associated with penetrating Brazil’s economy.
Export and Import Policies in Brazil concerning Iron and Steel Industry:

Export supporting measures are fruitful for Brazilian businessmen. Exports Financing Program (PROEX) to exporting companies with the gross turnover of up to R$600 million is supporting the concerned companies. National Economic and Social Development Bank creates most favorable condition for the financing of exports of capital goods. Trade facilitation programs are introduced to reduce duplication of procedures extend the use of electronic documents to harms the measures carried out by different government agencies in ports and borders. Brasil Maior which is also known as Greater Brazil has many Provisional Measures which support the exports. Reintagra Program- for entities that export goods manufactured in Brazil may request a refund up to 3% of gross receipts from exports or used the “Refund amount” as a credit to offset against the other federal tax liabilities.

Input credits on the Program for Social Integration contribution (PIS) and the Contribution for the Financing of Social Securities (COFINS) and reduced IPI rates on tractor, vehicles and chassis sector. Reduction of Social Security on Payroll and Income regional Incentives on entities that carry out approved installation, expansion or modernization projects by 31 Dec 2013 in sectors deemed to be a priority for the development of Northeast & Amazon and are also entitled to income tax redemption. As per the data of 2009 Brazil as part of Latin America exported steel and its related products to the various Asian countries and more than 10% were exported to the Chinese market.

Brazil’s import tariff range from 0% to 35% with an average applied tariff rate of 11.6% in 2010 and there was increase in the import tariffs for iron products and were raised to the Common External Tariff between 12% and 15%. Brazil applies federal and state taxes and charges to exports that can effectively double the actual cost of imported goods products in Brazil and also restricts the entry of certain types of remanufacture goods. Goods with the value of over 300$ cannot be import using Simplifies Tax Regime in Brazil. Product such as fresh fruits and vegetables, plant and plant products, dairy products etc. require permission from the minister from agriculture
before entering Brazil. Brazil has also been significant in its import and it reached to more than 0.5 million tons in the year 2010 making it the leader in the imports of steel mill products, showing a steep rise in the imports made and percentage growth of 158 over the entire year.

Brazil has both automatic and non-automatic import license requirement. Brazil's non-automatic Import licensing system cover imports of products that require authorization from specific ministry and agencies such as beverages and pharmaceuticals. Brazilians import licensing requirements can be complicated- the import of most products into the country need a preliminary license from the secretariat of the Foreign Trade, which is the only organization that is allow to issue certain document. Because of documentary complexity the imported goods are often block a delayed. Exploration licensing is to be acquired from National Department of Mineral Production which is valid for 3 years. Mining concession is granted by Ministry of Mines & Energy within 1 year of the date of approval of the exploration report. Companies must have specific environmental license approved. Environmental Licenses are required in the Preliminary, Installation & Operational Stages. Federal Carbon Emissions Law was developed in Dec 2009 which would be implemented through 2020.

The entire South American region has large reserve of minerals. There were no investment made in copper and other minerals, Jindal group was first to enter the sector with an investment of 2.3 billion dollars investment. Essar Group acquired mineral concession in Amapa, North Brazil to foster benefits to its steel plant in Trinidad & Tobacco. Brazil's steel industry which was privatized in the 1990s paved way for many sources to invest heavily in the industry owing to better returns over a time period. Due to such privatization in the industry impetus has been provided to rationalize the production, modernize the technology, and revive quality, raw material, environmental investment, and management. Due to availability of adequate labour and raw materials it provides competitive basis for this industry and a very lucrative area for investments. Moreover the production technologies are imported in
Brazil which makes the steel industry one of the most sought after industries for investments.

**Reasons to Invest in steel companies of Brazil:**

There is abundant and continuous availability of raw materials in various forms required for the industries. The availability of skilled and educated and qualified labour is also in abundance in the industry. The labour force is very cheap as compared to other countries. Commercial aircrafts and sub marines are produced maximum in Brazil as compared to other countries. Government also has ambitious plan to make infrastructural developments in different areas in Brazil. Investments policies of Brazil are also very liberal and provide enough space for the investors to enter and exit the market as per their will. Presently the iron ore mine Casa de Pedra which produces more than 21 million metric tons of iron ore per year shall have funds allocated to expand the operations even further.

**Export and Import Policies of Brazil concerning Iron and Steel Industry:**

The export policy of India is also very attractive for domestic players in India and also beneficial for companies willing start ventures in the country. Items of engineering shall be entitled for benefit at 2% under Focus Product Scheme. FOCUS LAC Program of Ministry of Commerce is in force which provides a number of incentives and financial assistance to Indian exporters. India imposes an export tax of 15% on iron ore lumps, and 5% on iron ore fines. Under Special Bonus Benefit Scheme special assistance is being provided to Engineering, Pharmaceutical and Chemical sectors. The rate of duty is 1 % of FOB value of exports.
Due to impact of cheaper steel imports steel ministry has recommended 5% duty on imported steel. Accepting the recommendation would make the total import duty 10%. In order to do away with unfair trade practices government has instituted mechanism for import surveillance and monitor export subsidies to other countries. Iron & Steel are freely importable as per Extant Policy. In India Exporting companies are required obtain clearances from the Department of Forest, Mines & Geology & Custom Department which is mandatory for exporting iron ore. The investments in India over the years have increased to a great extent. In different sectors the investors have infused large amount of funds in prospective industries. Iron and steel industry in India haven’t been behind and it has been a prospective place for investors to get attractive returns from the investments made. The trade barriers have been lowered considerably which facilitates in import of goods in India. The demand is continuous from infrastructure, consumer durables and automobiles. There has been presence of large number of suppliers and access to global markets. Competition is intense due to presence of large number of players in the unorganized sector. Marcopolo
has a Joint Venture with Tata motors for production of buses in India whereas Gerdau has invested US$ 71 million in joint venture with Kalyani Steel.

The government of Brazil has ramped up its protectionism in recent months. More recently authorities had announced ‘Crimson Tide’ an operation to intensify the inspection of imports. Many domestic producers are being shielded from foreign rivals to make them compete and innovate in the long run. Brazil in federal revenue has been investigating all the arrivals in the ports of Brazil. Due to doubts of such imports they ignore the invoice the values and change the tax which result into increasing the cost (higher prices). A process known as custom valuation has been adopted for steel to contain the flood of imports. The government raised import tariffs, resorted to other strategies, more sophisticated because its wants to escape from the label of “Protectionist”. Steel, auto parts, chemical textiles are some of the sectors hit by measure of protection. Seven strategies have been taken to stop the entry of imported products. Tactics include surcharges, license requirements and quality certificates and extra tax to curb triangular transaction and tougher rules to determine the origin of the products.

**Trade Barriers with Brazil**

- Language barrier
- Inadequacy in exchange of information
- Absence of direct economic shipping and links
- Distance between the two nations cause lot problems in transportation.

**Potential for import / export in India**

Exports are the significant of India’s trade policy. It makes special efforts to attract foreign investors so that they can set up export oriented units in India. India offers immense opportunities to foreign investors in terms of its strategic location. It is also located close to Russia in south central Asian countries. Added to this is the country’s advantage. India has vast reserves of technical and scientific man power. Both skilled and unskilled labors are easy to find and wage rates are highly competitors compare to international levels.
Government also provides number of incentives and facilities for exports. India is rich in research and production base for establishing export units.

Export growth has been very high by world standards; it has helped in arriving at a comfortable balance and payment situation. The Export Promotion Capital Scheme (EPCS) allows import of capital goods at concessional rates of duties, subject to an export obligation. The export obligation is in the form of foreign exchange earned by the importer. Inputs required to be imported for export production are exempted from customs duty under the Advance License Scheme.

Indian market is lucrative for products exported by SMEs in India and study by EXIM bank reveals that sectors like machinery electronic metals, castings and forgings have witness an increasing export orientation trend over the last years. Government provides assistance which includes credit facilities, fiscal support, cluster base development technology, infrastructure and marketing support.

**Business Opportunities in future**

Brazil is a continental region and its vibrant economic and cultural diversity offers almost boundless range of business opportunities. Southeast and southern region in Brazil offer ample opportunities for sale of products of higher value added. These two regions have large potentialities for sale of manufacturing inputs and capital goods. The northern region of Brazil is area conducive for industrial area and holds substantial future prospect in the field of sustainable forest use and extraction. Consumption pattern of Brazil has changed and individuals devote proportionally less income on basic expenses and more towards other goods and services. India is 5th largest steel producer in the world with a production of 69.58 million tons in 2010-11 registering and increased of 5.67%. India has acquired a central position on the global steel map with its giant steel mills continuous modernization and upgradation of old plans. Indian Crude steel production will grow at a CAGR of around 10% during 2010-2013. Stainless steel is finding innovative application due to its corrosion resistive property. Due to proactive plans by the government to
boost industries such as construction infrastructure automobile and power, the growth of steel industry in future will receive a further boost. A lower per capita steel consumption also offers large scope for capacity expansion. SAIL, RINL, Tata Steel, JSW Steel etc. a setting up new plants and increasing their existing capacity. Various joint ventures amongst steel companies will cater to the countries flat steel demand. Higher demand of steel is observed the making of railway wagons and coaches in building and construction, process industry etc. Domestic demand for steel is anticipated to grow around 12% in next two years on the back of strongly forecasted GDP growth. Thus, going forward demand looks prospective to captured double digit growth.

The collaboration between the two nations will boost up the economy of both the countries in the long run. The government of India in 2012 has formed six working groups for boosting the economic relations. The working groups formed are Mining, Pharma, services, infrastructure, and food processing. Memorandums of Understandings were signed to foster the bilateral relation between the two nations. Programmes to co-operate and exchange science and technology for future development were also undertaken by the diplomats of the two nations. The Strategic Partnership between two nations as compared to 2006 has gone to higher level. Due to shared values of democracy, common interests, and rules of law the friendship can have long lasting relationship between the two nations. Efforts are being made to enhance the multifaceted relationship between the countries. The bilateral trade has touched a record US$ 9.3 billion in 2011 and have now agreed to target trade of US$ 15 billion by 2015. Brazil’s recent performance accounts for more than one third of export earnings of Brazil. In the areas of manufacturing and services the Brazil’s economy is the easiest way to make an entry among the other BRIC countries.

In the field of Infrastructure and logistics India finds Brazil to be very lucrative ahead of the Football World Cup 2014 and Olympics 2016 both of which are to be hosted by Brazil. Brazil’s need for infrastructure is enormous due to presence of 200 million people in the urban area. Infrastructure sector is also promising with an investment of Rs. 45 trillion (app.) as forecasted in
12\textsuperscript{th} five year plans. India is the world 4th largest producer of iron ore after China Australia & Brazil and although lower than Brazil & Australia this is considered abandoned and is one of the key advantages of India Domestic steel industry. Tata Steel of India or TISCO has acquired the world's fifth largest steel company, Corus with the highest ever stock price.

Brazil and India are interesting countries in terms of International business. The Indian companies are able to easily overcome the pitfalls that could be faced by any country. Pricing and value proposition are expressed very satisfactorily by Indian companies in Brazil and also various Portuguese speaking representation. In what could be a major achievement for India Tata Steel, the growing steel company from India shall be investing an amount equal to 800 million pounds in the steel sector handled by the Welsh government improve the production, product mix, quality and product range at the plants in Wales. The forecast mentioned that till the year 2025 and the figures are estimated to reach higher by each and every year making it lucrative for investors also in the future. The projected growth rate is 5.25% for BRIC while it is considerably low for Rest of the World. The steel industry has been one of the major steel producers and has been attracting lot of Foreign Direct Investments.

India is expected to become 2\textsuperscript{nd} largest producer of crude steel in the world by 2015-2016 if the criteria for fresh capacity are adequately met. Indian steel is playing a very important role to India's economic growth. Steels measure contribution is found in the traditional sector like infrastructure, construction, automobile, transportation, etc. India is pushing itself to reach 2\textsuperscript{nd} position from its currently held 5\textsuperscript{th} position at global front. There has been continuous up gradation of old plants, backward integration. Global giants are showing increasingly interest in the industry due to its outstanding performance. A 6.4% year on year growth is registered. Reports also suggest India is expected to grow in a better way in year to come as per capita finished steel consumption is less as compared to the regional records.

Brazil one of the most populated of the Latin American nation grew at the rate more than other Latin American nations. Earlier Latin American
countries including Brazil were state owned and poorly managed moved at a slow pace with layers of government bureaucracy. Both Brazil & Argentina have economies which are identical to the one in India. Both the cities in Brazil Rio De Janeiro & Sao Paulo an considered to be the largest opportunities for real estate investment. Rio De Janeiro has population of more than 15 million whereas Sao Paulo is the center for finance & government in the country and therefore those looking for commercial & office properties is very beneficial. Construction, infrastructure & banking services are characteristics of many nations which are true for Brazil; the largest steel producer is Latin America as well as the 4th largest banks. Brazil has very production workforce with 20% in agriculture, 14% in industries & 66% in services helping the economy to prosper in every manner. Brazil is the most developed of all the South American countries in regards to economics. Brazil is developing faster & there is more number of jobs that are accepted than that offered to them. Brazil industry accounts for 30.8% of the GDP and that includes iron & steel production, automobile assembly, petroleum processing.

Brazil was one of the major trade partner and one of the top destinations for export worth 3.56 billion dollar followed by Argentina, Mexico, Chile, Colombia, and Peru. Brazil was also one of the main sources of Imports for India. The compositions of trade which include export & import his of arise in Brazil and other Latin American country. Export includes auto part two wheeler equipment machinery etc. whereas import includes crude oil, agro product, metal, scrape, leather, soy oil etc.

Various Indian companies have travelled overseas a created business by infusing huge funds. ONGC Videsh Ltd. (OVL) has acquired oil field concession in Brazil and other South American countries. OVL has invested billions of dollars in the Brazilian project. The other Indian members of the consortium which includes Indian Oil Corporation and Oil India Ltd. have also started investing in Brazil. Suzlon Energy Ltd. of India has secured a Wind energy Project in the North East part of Brazil. Suzlon has also set up wind turbine plant in Brazil in August 2010. The examples described above clearly show that there is plenty of opportunity for Indian companies to explore different areas.
There is absence of any Free Trade Agreement between Brazil and India other than the Trade bloc formed by them with Russia and China. Due to lack of such an agreement the way in which import duties, tariffs, and other quotes are nullified such benefits are not available to India and Brazil. Some benefits of agreement of India with MERCOSUR, the South American countries trade bloc are pursued in carrying out trade. Latin America and especially Brazil is a viable economy for carrying out trade operation. Any company or individual who wishes to carry out trade relation with Brazil can do it by investment and joint venture with any Brazilian company. Indian companies can even increase their revenues in Brazil by managing the product life cycle of Brazilian company after fulfilling necessary acquisition procedures. Due to linguistic trouble faced by Indian traders business is even possible with country like Brazil through eminent brokers & agents who are valuable at all times.

Tourism Industry of Brazil

Tourism is travel for recreational, leisure or business purposes. The World Tourism Organization defines tourists as people "travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes".

The motivations for tourism also include religious and business interests; the spread of education has fostered a desire to know more about different parts of the globe. Progresses in air transport and development of tourist facilities have encouraged people to venture beyond the boundaries. The importance of Tourism, as an instrument of economic development and employment generation, particularly in remote and backward areas, has been well recognized the world over. It is a large service industry globally in terms of gross revenue as well as foreign exchange earnings. Tourism sector stimulates other economic sectors like agriculture, horticulture, poultry, handicrafts, transport, construction, etc. through its backward and forward linkages and cross-sectored synergies.
Tourism is becoming a major industry in Brazil, particularly as the 2014 FIFA World Cup, to which it is host, draws ever closer. Rio de Janeiro and São Paulo are two of the most visited destinations in the country, offering visitors (whether in the country on business or pleasure) a fabulous peek into the complex heritage and natural spectacle of Brazil. Brazil is Latin America’s fastest-growing travel and tourism economy and direct involvement to GDP is forecast to grow at 7.8% in 2012. Domestic tourism expenditure in Brazil reached 130 billion dollars in 2011.

Brazil is the 7th destination in the World in number of international events, according to the Ranking of the International Congress and Convention Association (ICCA).
Comparative Analysis:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Brazil</th>
<th>India</th>
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</thead>
<tbody>
<tr>
<td>Direct contribution to GDP</td>
<td>3.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Total contribution to GDP</td>
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<tr>
<td>Direct contribution to employment</td>
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<tr>
<td>Total contribution to employment</td>
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<td>7.8</td>
</tr>
<tr>
<td>Visitor exports</td>
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<tr>
<td>Domestic spending</td>
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<tr>
<td>Leisure spending</td>
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<td>3.8</td>
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<tr>
<td>Business spending</td>
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<td>1.3</td>
</tr>
<tr>
<td>Capital investment</td>
<td>5.2</td>
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</tr>
</tbody>
</table>

Economic Parameters

![Bar chart comparing Brazil and India on various economic parameters]
Cultural tourism

Cultural tourism is one of the largest and fastest-growing global tourism markets. Culture and creative industries are increasingly being used to promote destinations and enhance their competitiveness and attractiveness. In particular, from the 1980s onwards “cultural tourism” became viewed as a major source of economic development for many destinations. When tourists arrive at their destination, they bring with them different beliefs and behaviours, which to some extent influence the host culture. At the same time, tourists are changed by their experiences. In short, tourism is an interactive phenomenon, affecting both the hosts and the visitors.

The Brazilian brand is very closely related to sports and carnival. The carnival has become the main reason for travel to the country, behind only beaches, which means that the carnival has become the largest promoter of tourism in Brazil, as illustrated where the carnival also has beaches, such as the cities of Rio de Janeiro, Salvador and Recife. Cultural tourism is therefore linked to popular festivals that are linked to this pagan festival. Rio de Janeiro is the most popular Brazilian destination and the New Year’s Eve Festival and Carnival are its major cultural events.

As a result, culture has been increasingly employed as an aspect of the tourism product and destination imaging strategies, and tourism has been integrated into cultural development strategies as a means of supporting cultural heritage and cultural production. This synergy between tourism and culture is seen as one of the most important reasons for encouraging a more direct relationship between these two elements. This relationship is even more significant, given the growing importance of both tourism and culture for economies around the globe.

The new Tourism policy of Brazil has been developed viewing tourism as an economic sector, and even the government’s drivers described in the plan have a social outcome through economic healing, namely
1. Reduction of regional and social inequalities,
2. Income generation and distribution,
3. Generation of employment and occupation, and
4. Level the balance of payments.

Brazil has the diversity and scale to offer this type of repeat experience, where tourists will venture to Brazil several times to see its natural beauty, history, culture, music, art, ecology, vibrancy, etc. But all too often, the first experience is proving to be the last experience and the reasons are:

- Cost: Brazil is no longer seen as an affordable destination. Exchange rates and local taxation are choking the life out of the hospitality industry.

- Inconvenience (Visa hassles, bureaucratic nightmare at airports, slowness).

- Inconsistent service quality

**India & Brazil Tourism Relations**

The President of Brazil and the Prime Minister of India reaffirmed the fundamental role of culture to deepen the friendly ties between the peoples of Brazil and India and decided to stimulate closer relations between artists, cultural institutions and producers of the two countries. They expressed their satisfaction with the signature of the Executive Programme of Cultural Exchanges for the Period 2012-2014, and underlined that it will give momentum to the existing cultural ties.

Brazil expressed its intention to set up a Brazilian Cultural Centre in India. They agreed to strengthen cooperation in the audio-visual sector and explore mutually beneficial opportunities in this sector for Film production.

In view of the forthcoming Football World Cup 2014 and Olympic Games 2016 to be held in Rio de Janeiro, both Leaders expressed interest to explore the possibility of joint venture investments in the hospitality and
tourism sectors. They urged the two sides to operate the Bilateral Air Services Agreement between India and Brazil signed in March 2011 so as to facilitate and encourage business interaction, tourism and people-to people exchanges. Furthermore, they highlighted their interest in promotion of cooperation in the areas of sports and youth exchanges. India and Brazil are looking at partnership avenues to strengthen cooperation in various sectors of the tourism industry. Both the countries will explore possibilities of promoting joint venture investments in the field of hotel and tourism infrastructure development.

The Ministry of Tourism has proposed to appoint India tourism marketing representative office in Brazil. India received 15,129 tourists from Brazil in 2010, while 19,456 Indians visited the South American country in 2009. India and Brazil signed a bilateral air service agreement to increase air connectivity which is expected to boost tourism and strengthen exchanges between the peoples of the two countries in 2011. Presently, no designated airlines from both the countries are operating. The designated airlines would be allowed to set up their offices in each other's country. The new bilateral agreement paves the way for increased air connectivity between both countries and has the potential to spur trade investment, tourism and strengthening the cultural exchange between India and Brazil.

**Comparative analysis of Arrivals in Brazil & India**

<table>
<thead>
<tr>
<th>Year</th>
<th>Brazil</th>
<th>India</th>
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</thead>
<tbody>
<tr>
<td>2005</td>
<td>5,358</td>
<td>3,919</td>
</tr>
<tr>
<td>2006</td>
<td>5,017</td>
<td>4,447</td>
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<tr>
<td>2007</td>
<td>5,026</td>
<td>5,082</td>
</tr>
<tr>
<td>2008</td>
<td>5,050</td>
<td>5,283</td>
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<tr>
<td>2009</td>
<td>4,802</td>
<td>5,168</td>
</tr>
<tr>
<td>2010</td>
<td>5,161</td>
<td>5,584</td>
</tr>
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</table>
Comparative analysis of Departures from Brazil & India

<table>
<thead>
<tr>
<th>Year</th>
<th>Brazil</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2,968</td>
<td>6,213</td>
</tr>
<tr>
<td>2006</td>
<td>3,466</td>
<td>7,185</td>
</tr>
<tr>
<td>2007</td>
<td>3,930</td>
<td>8,340</td>
</tr>
<tr>
<td>2008</td>
<td>4,683</td>
<td>9,783</td>
</tr>
<tr>
<td>2009</td>
<td>5,181</td>
<td>10,868</td>
</tr>
<tr>
<td>2010</td>
<td>4,952</td>
<td>11,067</td>
</tr>
</tbody>
</table>
Conclusion

From the detailed study of Brazilian Culture and Tourism, we can say that Brazil is rich in its cultural heritage and is a growing sector and key to the economy of several regions of the country. Because of the abundance and accessibility of many of its natural attractions, Brazil has also become acclaimed for its increasing focus on eco-tourism. The demand for exotic vacations has expanded to include visits to indigenous and minority ethnic groups in remote locations around the world.

When studying the image of Brazil, we note that the Carnival, in one form or another, is always present in the mind of the foreigner. The Brazilian brand is very closely related to sports and carnival.

As a result, culture has been increasingly employed as an aspect of the tourism product and destination imaging strategies, and tourism has been integrated into cultural development strategies as a means of supporting cultural heritage and cultural production. This synergy between tourism and culture is seen as one of the most important reasons for encouraging a more direct relationship between these two elements. This relationship is even more significant, given the growing importance of both tourism and culture for economies around the globe.
OIL AND GAS SECTOR OF BRAZIL

The overview narrated in very precise manner of the both country make our journey to oil and gas sector easy and understandable. Both countries have their own oil and gas sector at very discrete state of resource, demand and supply.

INDIAN OIL AND GAS SECTOR

After India's independence, and the oil industry in India is very small in size, and oil was produced mainly in Assam and the total oil production was no more than 250,000 tons per year.

This small amount of production is an expert on oil from certain countries expect that the future of the oil industry as a deaf and also questioned the ability of India to find new oil reserves. But he stressed that the Indian government for the oil industry in India as in the central sector as part of the bill in the Industrial Policy Resolution 1954, which helped the oil industry in India significantly.

Are oil exploration and production in India by companies such as the National Oil Corporation, Oil and Natural Resources oil and gas company, which is in fact the oil companies in the country owned by the government according to the base of industrial policy. The decline in the National Oil Corporation in the 1970s used to generate and provide more than 70 percent of the needs of the national production of oil, but by the end of this amount to nearly 35 percent. This was because the demand for growingat hand was a good price and production fell at a steady rate. And met in the oil industry in India during the years 2004-2005 most of the demand through imports of oil from oil-producing countries is different. Has produced the oil industry in India is nearly 35 million metric tons of oil from 2001 to 2005. Are imports by the oil industry in India and usually come from Asia to the Middle East.

Oil that is produced by the oil industry in India offers more than 35 percent of consumed energy is mainly by the people of India. This amount is
Summary of Global Country Study Report: Brazil

estimated to grow even with the financial growth and destruction in the production and percentage. It is expected that the demand for oil to go up each decade passes, and an estimated $250 million metric tons by the year 2024.

Some large companies in the oil industry in India are:

I. Oil India Ltd.
II. Reliance industries
III. Bharat Petroleum Corporation Limited
IV. Hindustan Petroleum
V. ONGC

India is the fifth largest end user of energy in the world, is likely to surpass Japan and Russia to become the third largest consumer of global energy by 2030. According to the International Agency for Atomic Energy (IEA), and hydrocarbons meet the greater demand for energy in India, where coal and oil together represent approximately two-thirds of total energy use. Natural gas accounts for about 7 cents per share. According to Oil and Gas Journal (site ogd), India has about 5.7 billion barrels of proven oil reserves.

India may feel the oil and gas investors around the world that the country has rich reserves of capital.

Leading oil and natural gas in India to foreign direct investment (FDI) worth U.S. $3,327,800,000 during the month of April 2000 to December 2011, according to data provided by the Ministry of industrial policy and promotion (Depp). Recorded the progress the U.S. State Department $196 million during April-December 2011-12, in the company.
Oil & Gas- Market Overview

Production and Consumption

According to the preliminary production data published by the Ministry of Petroleum and Natural Gas in a press release:

- Recorded and taken from the crude oil in the 31870000 metric tons (MMT) for April to January 2012, compared with 31.41 million metric tons in April to January 2011.

- Taking natural gas was 40.156700000 cubic meters during the month of April, the month of January 2011.

- During the month of April, January 2012, has been developing 140.73 million metric tons of crude oil, compared with 136.49 million tons of refined oil during the prescribed period in 2011.

According to the Observatory of International Business (BMI) of India's oil and gas information for the first quarter of 2012, oil on a regular basis in India and liquids production for 2011 is 1.04 million barrels per day and affecting the production peak of 1.06 million in 2012. Moreover, by giving his views require, body mass index conservation projects to a sharp increase in 4290000 b / d by 2016 from 3.44 million b / d in 2011. The total Gasconservation by body mass index at about 81 billion cubic meters in 2016 from nearly 58 billion cubic meters in 2011.

Diesel & Petrol

According to the International Energy Agency, there will be an increase in demand for fuel in India 3.8%, which will be represented majorly by diesel and petrol (gasoline). The International Energy Agency expects demand for diesel to reach 1.37 million b / d in 2011 (an increase of 5.8 percent), and in addition to that it expected an increase of 5.5 percent in 2012 to about 1.44 million b / d.

Should be expanded and the demand for gasoline by 7.6 percent (363,000 barrels / day) in 2011 and is expected to rise by 6.7 percent
(388,000 barrels / day) in 2012. The oil ministry predicted a rise of 4.6 percent in the sale of petroleum products in 2012.

Gas

Expansion of gas stations in India and increased demand for gas in India. BMI provides that the use of gas in India is the best by more than 160 percent since 1995 while the average annual demand is expected to grow by 6 percent over the next year. It is expected gas production to 50 billion cubic meters in 2011, while it is expected that the total use of gas to 81 billion cubic meters in 2016 from about 58 billion cubic meters in 2011 by BMI.

India said the Directorate General of Hydrocarbons (DGH) a reference to the Salafist Group for the expansion of religion Dayal gas field in KG basin. The estimated mass to hold reserves of around 56.6 billion cubic meters and gas production from himself and on an annual basis 2.1 until 3.1 billion cubic meters.

BRAZILIAN OIL AND GAS SECTOR

The Brazilian Oil & Gas sector has evolved radically since the domination of Petrobras ended with market de-ruling in 1997. Over the next 12 years, most chief global oil companies have entered Brazil, which became a net oil exporter in late 2007. Also in 2007, Petrobras revealed the first major pre-salt oil field - the Tupi field - with an estimated 5-8 billion barrels of oil equivalent. The pre-salt discoveries can potentially craft Brazil the 5th largest oil nation in the world, by way of estimates of up to 114 billion barrels of oil reserves.

On August 31st 2009 the Brazilian government sent a new regulative suggestion to the senate, which if passed, will modify the entire market arrangement of the pre-salt area.

Conventionally, national and international oil companies bidding at allowance rounds would win the right to control the definite field and own the oil they might find in return for paying royalty to the local state.
The new regulative will commence four new laws, which if passed, will introduce a "shared production" regime to reinstate the concessions-based system. Necessary to the new laws is the creation of a new state oil company, Petrosal, which will have the aim of running the pre-salt reserves. Furthermore, a fund will be shaped to manage the government's revenues from the reserves, directing them towards social expenditure on areas such as poverty relief, education and infrastructure. Last, but not smallest amount, the government controlled Petrobras will be issued $50bn of new capital. The Brazilian Oil & Gas sector has evolved noticeably since the domination of Petrobras ended with market de-regulation in 1997. Over the subsequent 12 years, most chief multinational oil companies have entered Brazil, which became a net oil exporter in late 2007.

Also in 2007, Petrobras revealed the first major pre-salt oil field - the Tupi field - with an estimated 5-8 billion barrels of oil equivalent. The pre-salt discoveries are able to potentially make Brazil the 5th largest oil nation in the world, with estimates of up to 114 billion barrels of oil reserves.

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The new regulative will introduce four new laws, which if passed, will introduce a "shared production" regime to replace the concessions-based system. Essential to the new laws is the creation of a new state oil company, Petrosal, which will have the objective of managing the pre-salt reserves. Furthermore, a fund will be created to manage the government's revenues from the reserves, directing them towards social spending on areas such as poverty relief, education and infrastructure. Last, but not least, the government controlled Petrobras will be issued $50bn of new capital.
Along with the rapid growth of its economy in the past decade, Brazil has extended various sectors of its economy, such as the industrial sector, which is the second largest in the Americas. The rapid increase of the services industry has helped to carry down the nation's unemployment price for the past 5 years.

**Brazil is the 9th biggest oil producer in the world** with a production of 2.57 million barrels per day. Petrobas, a semi-government owned Oil Company, is the 8th largest company in the world, and is dependable for the nation's overall oil production.

**OPPORTUNITIES IN BRAZILIAN OIL AND GAS SECTOR**

We glance through the various opportunity in the Brazilian Oil and Gas sector for the India to jump in international business as a part of the corporate strategy of growth and expansion of Indian Company pertaining to Oil and Gas segment and related to that.
PRE-SALT NEW OPPORTUNITY

The Pre-Salt is consists of oil deposits located under very thick layer of Salt, in areas estimated 18000 feet below the ocean’s surface. The very first deposit, Tupi was found in 2006, consisting of up to 8 billion barrels of recoverable reserves including both oil and natural gas. The other similar finding soon announced in Carioca, Lara, and Guara. As per study the total estimated oil and gas reserve to be over 50 billion barrels of oil that is four times greater than the countries current national reserve. The pre Sault discovery can able to make Brazil the world’s 6th largest oil producer over the world by 2035.

EXISTING OPPORTUNITY FOR INDIAN OIL AND GAS EXPLORATION INDUSTRIES

Brazil has very good amount of oil and gas reserve in its geography. Mainly the country’s oil and gas production located in south eastern region, and also in northeast and good amount of gas reserve in the Amazon. Brazil depending on gas from neighbouring Bolivia but recently there is very good amount of discoveries of gas field in Northeast. The region Rio de Janeiro has tremendous amount of Oil and Gas reserve and most of industry also located there.

Brazil is identified as 9th largest producer in 2009. And its oil production had increased in past few years constantly reaching 2 million barrels per day in 2010. The country has estimated 13.9 billion barrels of oil reserve that is the second largest in South America after Venezuela. And the natural gas reserve of 423 cubic metric million.

OPPORTUNITIES FOR REFINING INDIAN REFINING INDUSTRY IN BRAZIL

As we have seen the oil and gas resource exist in the Brazil that is one kind of opportunity for refining industry exists in India. The Oil Refinery having importance for all the oil producing countries. If we focus on the global trend
of this oil refinery industry then we will able to find that industry has lot of ups and down over the decades.

In the period from 1970 to 1990s considerable amount of investment was made in the oil refinery industry. But due to shock of 1973-74 and 1979-80 and because of Asian financial crisis, the market was quite low, this result in surplus refining capacity of global refinery industry.

Though the present scenario is different, as the demand for refined petroleum and other refined product is increasing, surplus refining capacity of industry is declining very fast. So in today’s world, the oil refinery industry has to concentrate on additional capacity building so that the developing market demand can be met accordingly.

According to a study, World Crude Oil Refining Capacity was 83.1 million barrels per day. Though, to keep pace with increasing demand this capacity has to reach the level of 93 million barrels per day by 2010.

This means the global Oil Refinery Industry has to grow at an average Growth Rate of 1.8% per year. This will be possible only if the Oil Refinery Industry becomes successful to attract sufficient volume of investment from different investors.

The Indian refinery that can have an investment in The Brazil, this is very good opportunity for Indian following Indian industry.

The above describe the oil refinery have very good opportunity for investment for setting up of refining plant in the Brazil. These companies have opportunity to create strategic alliance, joint venture with Brazil base industry for starting business in world market.

OPPORTUNITIES FOR INDIAN SHIPPING INDUSTRY FOR BUSINESS WITH BRAZILIAN OIL INDUSTRY

Indian shipping companies are making substantial investments to acquire vessels contract to tap the oil exploration and drilling services market in emerging markets, led by Brazil, to scale up revenues in the coming years.
Indian shipping companies led by Great ship India, Great Offshore, Essar Shipping and Global Offshore competes for contracts to be awarded by Petrobras, the world's main deep-water and ultra-deep water oil producer. "The demand for vessels in Brazil is as much as 500 in the coming years and there is a market in surplus of $30 billion, which can be tapped by Indian companies," said the MD of a leading household offshore player.

While 50% of the vessels deployed in Brazil are non-Brazil banner vessels, European and Asian companies have been vigorously pursuing the market for bigger tonnage and larger supply vessels.

Great ship India is pending the delivery of seven of its vessels, while Global Offshore has previously planned to obtain two platform supply vessels by the next year at a cost of Rs. 500 crore. Bharati Shipyard-owned Great offshore will also look to elevate its total fleet from the current 47.

Sheth family-administered Great ship India currently has a fleet magnitude of 19 and is probable to scale up to 28 in the next two years, which is likely to be deployed in emerging markets such as Brazil and Australasia.

Varun Shipping freshly signs a contract with Petrobras for three anchor handling towing and supply vessels. The deal was valued at Rs. 690 crore for the first four years, with another Rs. 690 crore to be paid in case of an addition.

OPPORTUNITY FOR INDIAN PIPELINE MAINTANANCE AND DEVELOPMENT INDUSTRY AT BRAZIL

There are several Indian companies which is very fluent in the developing infrastructural facility for the movement of oil from one region to another without the loss or drainage the unit produced. The very big players in this industry are Oil India Ltd, Indian Oil, etc. This Indian industry can provide large product and service portfolio like pipeline maintenance, mechanical maintenance, oil movement, pipeline business development, project management, etc.
So that Indian industry in such segment of the business can have good amount of future opportunity as the discovery of new oil and gas field and output of the oil and gas production is increasing.

OTHER OPPORTUNITIES ANCILLARY INDUSTRY LIKE DRILLING EQUIPMENT, COMPONENTS, AND TOOLS AND ENGINEERING AND ENVIRONMENTAL SERVICES

The Industry in special tools and components utilize in the oil and gas production process of upstream and downstream and engineering and environmental service situated in India have very good amount of opportunity of doing business in the Brazil. Such industry pioneer in India like Bharat Forge, Sujana Universal Industry, and Ahmadnagar Forge are having good amount of opportunities to undertake business in such segment.

PROBLEMS IN DOING TRADE WITH BRAZIL

Brazil ranked amongst the top oil producing country all over the world, because oil production has experienced steady growth in the past few years. The country has immense amount of Oil reserve and Natural Gas available after Venezuela. Hence we can say that, Energy sector in regard of Oil and Gas expected to grow even stronger in the coming years, mainly due to exploitation of the pre-salt deposits offshore. This development requires heavy investments in state-of-the-art technologies and therefore represents enormous opportunities for suppliers, too.

Brazil though, grooming country for Oil and Gas sector, but faces problems which are listed below:

RECENT SUCCESSFUL SHARE CONTRIBUTION BUT WITH GREATER STATE OWNERSHIP

The recent successful share contribution gives Petrobras the necessary funding for the first stage of its belligerent development plan. In addition, the rights offer adds considerable acreage and potential reserves to the asset base, adds to long-term production growth and increases the company’s operational flexibility by broadening its development options.
However, in the fresh share offering, the Government bought approximately two-thirds of the shares. As a result, the Brazilian Government now straight or indirectly controls 64% of all Petrobras common shares and about 48% of all shares, including favoured shares. The free float of Petrobras shares is now down to about 52%, as contrasting to 60% before the share offering.

**TAKE TO MUCH TIME IN SETTING UP AND REQUIRE HUGE INVESTMENT INITIALY WITH CONTINUOUS RISK OF REGULATION OF BRAZILIAN GOVERNMENT**

The starting a industry in the oil and sector in any sub segment like refining, exploration, derivative product, technology is not cup of tea for the investor. It requires great amount of patience and good ability of being visionary. If for instance any organization want to investing refining sector, the project take almost 5 to 6 years to become operational, condition is that there is no regulatory or legal hurdles during the process, otherwise it may go beyond our expectation. So in short there is investment risk underlying in the business of the oil and gas, and this is starting the business in the Brazil so we can imagine the things.

**LOCAL SERVICE, LABOUR AND INFRASTRUCTURE CONSTRAINTS**

There are existing bottlenecks in equipment and skilled workers accessibility, which are not increasing in step with acreage and production growth targets. The high local content provisions of the rights present will further reduce the flexibility to import tools and manpower. Outstandingly, existing rig tenders are running a year behind schedule and Petrobras’ implied drilling plan for the privileges offer areas could lead to considerable mid-term rig dearth.
SPECIAL TECHNICAL CHALLENGES, PRODUCTION LOGISTICS AND OPERATIONAL RISKS

The problem lies in ultra-deepwater, essentially at the technology frontiers. The water depth challenges are more complicated by elevated pressures and low down temperatures and by the difficulties in drilling through the chunky salt layer and by the elevated CO2 content in a lot of the reservoirs. In addition, there are gas monetization and transport issues, such as moving gas to shore rather than flaring, in addition to issues with Floating Production Storage and Offloading (FPSO) unit logistics. Likewise, the recent spill out in the Gulf of Mexico highlighted some of the risks in deepwater that will need to be mitigated through the execution of operational best practices and leading occurrence response procedures.

FUTURE PROSPECT OF BRAZILIAN OIL AND GAS SECTOR

Brazil realizes it’s extraordinary moment in the petroleum sector and intends to take benefit of this to improve its development. Local content policy is a critical instrument to boost development. Research & Development investments will be in close tune with Local Content policy. The huge demand for goods and services in Brazil is an important position for suppliers. Foreign investments are welcome as long as in conformity with Brazilian goals.

Forecast Energy Investment in Brazil through 2030

Brazil plans to achieve its Primary Energy Supply Matrix by year 2030, still broadly corresponding to its present profile. i.e. Half of the energy supply will come from the Renewable Fuels, despite expecting to grow the total supply by 15.4% in the 25 year planning period then ending. In all, investment in the oil and gas sector would expand at an annual pace of 13.5% per year in 2010–13, This considerable achievement will require estimated cumulative spending in excess of US$800 billion which is shown below:
Prospects for South American Energy Integration

Political and economic stability are conditions precedent to any serious regional energy integration and South America can be no exception to this rule. Naturally, any perception that there may be populist governments with undemocratic tendencies would generate concern about enforceability of multilateral agreements of the type needed to establish trans-continental cooperation.

Brazil may become important exporter for Energy sources

As Brazil is having immense resource available for Oil and Gas, and big possibilities of augmentation of it and increasing demand for those sources in Asian Countries may lead to become major exporter in coming years. The country like India and China are going to play vital role in increasing energy consumption of an Asian country.

State supremacy of energy sector may cause troubles for enlarged foreign investment in coming years

Much will depend on whether the energy resource sector will remain regulated by giant national energy companies, as well as on the openness of these companies to foreign funding. i.e. foreign investment if attracted than major stake is to be remained with state government.

So, we can say that Brazilian oil and gas sector will be interesting sector to attract investment in the forth coming years from the country like
India, China, US etc. If talk about our country the India then Brazil is very good destination of resources like petroleum, technology of Agribusiness, Ideal nation that is using 50% energy from renewable resources of earth and also most important destination for business in the Oil and Gas Sector as we have seen in the above conclusion in precisely. There are very good amount of opportunity for mature Indian sector of Oil and Gas.
TOBACCO INDUSTRY OF BRAZIL

INTRODUCTION TO TOBACCO INDUSTRY IN BRAZIL

This study is subjective to enhance the knowledge about the Brazilian industry which is too booming sector in Brazil now Days. The study also shows the detail of production of cigarettes and cigars as well as raw material and its statistics.

A simple try is made to calculating all possible characteristics social importance as well as the economic effect after particular that business. Some part of policy for tobacco industries and control over its consumption also covered.

Brazilian tobacco industry has undeniably achieved a leading position in the new context of the world market.

Brazil is steadily in recent years the development of tobacco production, the world major cigarette manufacturer to provide quality tobacco raw materials. In 2011 Brazilian tobacco output of about 7lakh tons, of which about 5,40,000 tons exported to over 100 countries around the world, with exports of about $2.9 billion according to the statistics accounted for 1.15% brazil’s total foreign exchange earnings.

In Brazil, for instance some 135 120 family growers create tobacco as their main financial activity. In the 2010/2011 crop year regular net revenue per family farmer reached R$ 9 165 (US$5 010).
The largest tobacco producing country is China followed by Brazil, India and the USA. The European Union accounts for 4.1% of world production. However, total family revenue from tobacco cultivation has shown considerable instability over the years. It reached a tip of almost US$1 billion in 2000, and then contracted to remain around $634 000 in the last 3 years.

Brazil tobacco price is relatively reasonable; the two sides are relatively satisfied. However, should see that Brazil's tobacco industry is also faced with many challenges. For example, the tobacco industry in Zimbabwe in recent years is starting to recover, and the strong performance of the Brazilian currency, the real makes Brazilian tobacco price is higher than some competitors, and the face from tobacco control and its own tobacco decay system, the farmers the quality is not high with many challenges.

ANALYSIS OF THE ECONOMIC SIGNIFICANCE OF TOBACCO

Tobacco industry is grown in two either part one is south and northeast part. About 1.5 lakh people are involved in tobacco industries and also about 650 municipalities in three regions as a core economic sector in practice.

The total part of available land for farming capacity; About a quarter of the family % are allotted for dams, virgin area, replanted forest farms, and about 15 and more hector is using for tobacco farming. Most of the people who are involve in tobacco farming, which are renting the land and also
making contractual arrangement for tobacco sharecropping. A very small part between 1 to 10 ha- is available for alternative purpose.

Tobacco is among the few crops that raise income from small part of available land, and provides revenue more than four times than any other crops, and consumes family labour, which accounts for more than half of production expanse.

Tobacco processing is very important work for the region like: Santa Catarina, Rio Grande do Sul and Paraná where, for production, there are many production industries of tobacco and its products.

The production by a small scale farmer is about 10,000 stands. The average harvest is ca 780 kg, which in a normal crop per season is sold in a market for up to $R 65.00 per arroba (15 kg) of top standard leaf.

As in the southern states, growers involve in a so-called “integration” system together with industries, which provides a technological package of best practices (in use of fertilizers and agrochemicals), finances a part of the grower’s production costs and buys the crop at harvest. The cigar industry also transports the tobacco from farms, where curing takes place, to processing plants.

Total families revenue from tobacco sector rise up from US$335 million in 1990 to a peak in 1997, when revenue totalled almost US$1.2 billion. Total family revenue from tobacco farming was only US$600.1 million in 2007.

The northeast of Brazil – producing cigar and its products which provides local people employment and also a way to earn livelihood, it is also produces all premium product then southern region but because of premium product they can earn more than southern region, which produce more tobacco then northeast. This part of industries provides employment to both woman and man and reducing inflation.
STRUCTURE FUNCTION & BUSINESS POSITION OF TOBACCO INDUSTRY

In 2010, China was the main producing country with 1.4 million hectares under cultivation. Other major producers included India (433,400 hectares), Brazil (309,989 hectares), Turkey (257,230 hectares), the United States (191,190 hectares), Indonesia (168,688 hectares), and Malawi (118,752 hectares).

<table>
<thead>
<tr>
<th>Country</th>
<th>Production in thousands of tones</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3,067.9</td>
</tr>
<tr>
<td>Brazil</td>
<td>863</td>
</tr>
<tr>
<td>India</td>
<td>620</td>
</tr>
<tr>
<td>United States</td>
<td>373.1</td>
</tr>
<tr>
<td>Malawi</td>
<td>208.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>181.3</td>
</tr>
<tr>
<td>Argentina</td>
<td>135.5</td>
</tr>
<tr>
<td>Italy</td>
<td>119.1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>105</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>96.3</td>
</tr>
</tbody>
</table>

In 2010, the leading tobacco exporters were Brazil, the United States, Zimbabwe, China, Italy, and Turkey. Exports amounted to about 29 percent of global production. Although the United States is a leading exporter (especially of high-quality, flue-cured tobacco), a number of developing countries have increased tobacco production considerably.

China accounted for nearly 34.3 percent of the global area planted to tobacco and 37.9 percent of total production. China, India, and Brazil produce more than half of the world’s tobacco. The top seven producers account for more than 71 percent of land planted to tobacco as well as the same percentage of total production (FAO 2002).
The central roles are played by leaf processing companies, which coordinate their own network of suppliers (mostly small family farmers) by setting volumes and production conditions, buying predetermined amounts of tobacco leaves at predetermined minimum prices, guaranteeing credit for growers and carrying out exports. There are also organizations representing the interests of growers and processing companies, regulatory bodies and technical and/or political discussion forums.

Tobacco has been producing from last century and is booming industry in whole South American country. Tobacco industries' information is for 2011 show that China is the world principal in tobacco construction with 2.52 million tones, and Brazil is the second best, with 877,650 tones. Some 200,123 tiny-scale family unit farms, situated mostly in the south and northeast of the nation, produce 95.3 percent of Brazil's tobacco.

**BUSINESS ACTION OF TOBACCO INDUSTRIES**

Brazil, with its 190 million people, could hence become the mainly heavily populated country to say publicly it smoke-free, said the U.S.-based promotion for Tobacco-Free Kids.

"Brazil is the major country to have adopted an anti-tobacco law," protester Patricia Sosa, in command of Latin American programs for the Campaign for Tobacco-Free Kids, told IPS.

"Every year, disclosure to cast-off smoke cause over 600,454 early deaths, and passive smokers who are uncovered to it at home or at work have a 30 percent high risk of rising lung cancer," she said.

**COMPARATIVE POSITION OF BRAZILIAN TOBACCO INDUSTRY**

Tobacco leaf exports have expanded continuously over the last two decades, 130000 tonnes in 1990 to 610 000 tonnes in 2010. Prices hiked, going from US$3214/tonne in 2000 to over US$40000/tonne in 2007/2008. In 2000 and 2005 net export rate hiked to such an extent that area rose in the
maximum production states. With the introduction of export taxes in early 2000, exports felt radically.

Over a decade, Brazil benefited from market forces that included short supply and growing demand. On the one hand, production declined in the United States of America and in Zimbabwe, Brazil’s major competitors; on the other hand, markets benefited from the entry of major buyers such as China, Germany, and Japan, the Republic of Korea, Russia and countries in the Far East.

As long as labour remains relatively cheap, tobacco production, a labour-intensive activity, will remain profitable. The primary difference between the south and northeast regions is that the south is devoted to production of tobacco leaf for cigarette manufacture, while the northeast specializes in black tobacco and tobacco leaf for cigar wrapping.

The area under tobacco, some 0.25 percent of the total cropped area, has fluctuated irregularly over the past three decades. The area under tobacco appears to be strongly influenced by prices in the preceding year. As a result of increasing yields, production of tobacco rose from 362 000 tonnes in.

Brazil is also an importer of tobacco leaf, cigars and cigarillos, cigarettes and other forms of tobacco processed products, and a net importer of cigars after 1996, with net cigar imports of US$1.7 million in 1998.

GLIMPSES OF THE INDIA'S TOBACCO INDUSTRY

Indian tobacco and tobacco products bring in an enormous annual sum of about Rs.10500 corers to the nationwide exchequer by the way of excise income, and Rs.2287 Corers (2009-10) by way of overseas exchange. In India the per capita expenditure of cigarettes is simply a tenth of the world standard. The exclusive tobacco utilization pattern is the mixture of tradition and more basically the tax compulsory on cigarettes. Cigarette smokers pay almost 85% of the sum of average tax revenues generate from tobacco.
The other exported products are- DWFC, Natu, Burley, HDBRG, Jutty and Top leaf. All these are utilised for creation of cigarettes. Non cigarette tobacco exported globally is Judi, Lalchopadia, and Rustica. As per the terms in other countries, in India have more operated income as compare to the other food and agricultural products. Currently, there are a few specialized crops in various areas that provide similar incomes, but it is estimated that these crops would not remain remunerative if total production increase.

In general, under farmers’ field conditions, most other alternative crops, as discussed below, are currently not as remunerative as tobacco. Should tobacco farmers need to diversify into other crops, they are likely to suffer economic hardship.

POLICIES AND NORMS OF BRAZILIAN TOBACCO INDUSTRY

Since 1989, National Cancer Institute of Brazil (INCA), a Ministry of Health body, coordinates and articulates the National Tobacco Control Program. With the aim of reducing smoking prevalence and consequently the burden of tobacco related diseases and deaths, this program encompasses strategies in order to create a favourable social context to:

- Reduce social acceptance of smoking
- Reduce the social stimulus to smoking initiation by youth
- Reduce the social stimulus that make it difficult for smokers to quit
- Protect the population from the hazards of passive smoking
- Reduce access to tobacco products by minors
- Increase availability and accessibility to smoking cessation support

Regarding the focal educative actions there are two awareness campaign related to tobacco: the World No-Tobacco Day (May 31), and the National Day against Smoking (August 29), both of them evolving activities coordinated by the Ministry of Health /INCA throughout Brazil. The first one seeks to disseminate and promote tobacco-control actions in its different aspects in Brazil. For such purpose, each year, the WHO selects a different theme linked to tobacco, for all countries to disseminate the need of tobacco control actions.
REGULATION FOR TOBACCO INDUSTRIES IN BRAZIL

The Brazil tobacco program had for many years comprised production controls and price supports for tobacco produced in the Brazil. Control of the domestic supply of tobacco was provided for to the extent that producers of an individual kind or type of tobacco had approved such controls. Production controls had been approved for 98 per cent of all tobacco grown in the BRAZIL, including the two principal kinds, burley and flue-cured tobacco.

Instead of selling their tobacco to a private buyer, farmers subject to production controls could pledge their tobacco as collateral for a price support loan under the price support program. Because the farmer would not normally sell the tobacco for less than the loan amount, the loan value of the tobacco acted as a floor price for domestic tobacco.

The loans were made available through funds supplied by the Commodity Credit Corporation (CCC) of the BRAZIL Department of Agriculture ("USDA"). CCC tobacco outlays were repaid by the proceeds of the sale of inventory tobacco by the area marketing associations. With the inauguration of the "no-net-cost program" producers and purchasers had to pay "assessments" to cover any losses incurred by the CCC.

If a Domestic Manufacturer of Cigarettes failed to certify the quantity used, it was presumed to have used only imported tobacco. If a Domestic Manufacturer of Cigarettes’ use of domestic tobacco was less than 75 per cent of its total tobacco use per year, it had to pay to the CCC a non-refundable marketing assessment and make supplementary purchases from the burley and flue-cured tobacco area marketing associations up to the amount of the shortfall, which could be used in the following year.

The requirement applied equally to cigarettes that were exported. The assessment per pound was equivalent to the difference between:

(1) the average of domestic burley and flue-cured tobacco market prices during the preceding calendar year; and
(2) the average market prices for imported unmanufactured tobacco during the preceding calendar year.

GOVERNMENT TAX POLICY FOR TOBACCO

Export duty has for all time been one option for administration to lift up fiscal incomes. However, it has a tough impact. After impressive a 150 percent export tax on tobacco in early on 1999, cigarette exports dropped 90 percent, getting the lowest export cost for 20 years. As a result, export income were only US$49.6 million, against US$606.6 million in 1998.

The domestic duty of cigarettes is a main basis of fiscal incomes. There are just about 52 forms of taxation, retentions, rights and other burdens forced by government. This tax load encourages unlawful and fake products and smuggling, and curbs the competitiveness of lawful products.

TAXES AND PRICING OF BRAZILIAN CIGARETTES

Tax is a high amount of the value of Brazilian cigarettes relation to other nations, about 74 percent (US$0.79), according to producer’s forecast. In evaluation, within MERCOSUR, equal taxes are 68.30 percent in Argentina, 66.53 percent in Uruguay and 13.52 percent in Paraguay. On standard, for the period 1998-2010, Brazil’s total income from cigarette taxes was 5.4 percent of total central tax income and 3.6 percent of total countrywide tax income.

There are more than a few different types of cigarette tax, counting ICMS, a value-added tax. In the late 1990s two states (Minas Gerais and Rio de Janeiro) enlarged ICMS from 25 percent to 30 percent, building the total tax in those states about 78.5 percent of the standard retail price.

POLICY AND NORMS OF INDIAN TOBACCO INDUSTRY

There is a tradition of chewing tobacco in India from ancient. More or less 48% is chewing tobacco from its total production in country, and 38% as bidis, 14% as cigarettes. These bidis snuff and chewing tobacco (like gutka, etc.) covers the large portion (i.e. 86%) of the total tobacco produced in India.
Production of cigarettes has the share of 90% of the total tobacco related products produced in the world. In India, tobacco production is on 3rd stage with production of about 725 Million Kgs. annually.

The various kinds of tobaccos grown are flue-cured tobacco, country tobacco, burley, bidi and rustica. India is on 6th rank in export of tobacco in the world after Brazil, China, USA, Malawi, Italy.

Indian tobacco and tobacco products contribute Rs.10271 crores as excise revenue, and Rs.2022 Crores (2006-07) as foreign exchange. Per capita consumption of cigarettes is just 10th of the world standard. Cigarette smokers give about 85% of the total tax revenues generated from it.

As per the details of total tobacco items exported from India, the raw tobacco has the share of approx 80% to 85% of the total exports whereas the manufactured tobacco products retain approx 20% to 25%. In the raw tobacco exports, Flue Cured Virginia tobacco stands around 75% to 80% exports. Nearly 6 million farmers and workers currently depend on this sector for their sustenance. Tobacco and tobacco products earn over about USD 2.3 billion to the national exchequer by method of expurgate income, and approximately USD 450 million by way of foreign exchange.

Approximately 36 million people including farmers, farm workers and retailers currently depend upon the tobacco industry for their livelihood. Tobacco generates an important involvement to the economy in conditions of jobs, revenue generation and government income. It generates almost USD 452 million of revenue per annum. There are estimated 850,465 farmers of tobacco in the nation, with farming actions characterized by tiny household farms.
PRESENT TRADE BARRIER FOR TOBACCO INDUSTRY IN BRAZIL

Present trade barrier for import export in tobacco industry are as under:

- Tobacco effects on forest in both manner, one it would be cut down trees to creat tobacco farms, other is that it would be need of land to dry out leafs of tobacco to change its colour.
- Natural gas is used in place of wood fuel to grow the tobacco and its farming.
- The unfair practices of tobacco industries to plant trees after cutting down the trees for curing of tobacco.
- Brazil's revenue from tobacco exports is the counts second rank in the developing world after China, but this needs to be kept in point of view: tobacco acting only a minimum role in the economy of rising countries.
- For illustration, even if Brazil earned $1000 million from tobacco in 1998, this was a mere 2.4 percent of its total foreign revenues.
- The Brazilian tobacco farmers alliance, AFUBRA, deny the environmentalist charges, informing it has helped place some 400 million trees in the past 25 years to create up for the deforestation. But they are not able to speak how many of these trees have survive. Nor can the government's ecological Control organization approach up with a shape.
- Some other things are not that hazy: Brazilian tobacco farmers, intense in the southern region of Santa Catarina, And also available in Parana and Rio Grande do Sul, utilize an common of a propos five million cubic meters of wood per annual their curative stoves every year.
- Of Brazil's 250,000 tobacco growers, only 50,000 dry their products in nature in the sun and wind through the hot Brazilian humid summer. The rest of farmers use stoves.
- There are extensively opposite opinion on the degree of the international tobacco industry's exercise of fuelwood. One argue, frequent by the World Health Organization, is that one tree is considered necessary for every 300 cigarettes produced globally.
Some environmentalists declare that to cure tobacco full-fledged on 200,000 hectares of terrain, farmers want another 200,000 hectares of woodland for wood. And a 1986 industry-specially made description projected that an average of 7.8 kilos of wood was required to treat one kilo of tobacco.

**BUSINESS OPPORTUNITY IN FUTURE BY TOBACCO INDUSTRY**

In recent years, there is significant drop in tobacco construction in Zimbabwe and United States of Americas, because of a variety of reasons. The international are changing to sources of excellence FCV (Flue Cured Virginia) tobacco at a rational price.

Accessibility of suitable areas for generating half-tasteful and tasteful tobaccos and the probability for improving filler tobacco to unbiased filler and greater quality filler provide tremendous opportunity for India.

Now, Iraq, Egypt, Algeria, Nepal, Singapore and Bangladesh are promising markets for Indian FCV tobacco and small markets like France, Portugal, Spain, Australia, Tunisia, Morocco and Finland could develop into possible markets in future.

Also, there is broad range for export of value-added tobacco products like cigarettes and scented bidis. With the identification of some tobacco photochemical helpful to mankind, utilization of tobacco for alternative uses is one more promising opportunity.
AGRICULTURE SECTOR OF BRAZIL

When Brazil was a colony under the Portugal rule from that time the agricultural activity has been directed primarily towards two activities provided that goods for exports and provided that goods for consumption by domestic people.

In fact, the agriculture industry in Brazil is actually well diversified and largely produced, attributed to the fact that Brazil has vast agricultural resources and suitable climate. The following list shows the world’s biggest agriculture producing countries.

Agriculture industry in Brazil has registered a huge increase in its productivity in resent past year. The agriculture sectors of Brazil contribute 25% of national GDP, which is about $390 billion. The agriculture industry also contributes 27% of the country’s total exports. The industry is a major source of bread for about 18 million Brazilian residents. Over the years the agricultural sector has recorded consistent growth, thus the industry promises great investment opportunities.

In 2010, Brazil's agricultural output reached worth of US$142.1 billion, ranking as the 4th largest agriculture producing country in the world. Brazil's total exports for agricultural products valued US$ 76.4 billion in 2010. According to the data of the Brazilian Institute of Geography and Statistics (IBGE), soybean was the highest crop production of Brazil, with production of 66.9 million tons in 2010, up by 17.4% year on year; and then the production of coffee bean topped 2.8 million tons in the year, increased 14.4% than the year before. 81.5% of country’s cropland was in use by soy, corn and rice. The chart below indicates the worth of Brazil’s major export products in 2010.

Brazil is the world’s chief producer and exporter for soybeans, coffee, sugarcane, sugar, cocoa, tobacco, and ethanol etc. China is Brazil’s biggest trading partner, In 2010 worth of US$11 billion agricultural products was exported to China, and after that EU, USA, Russia, Japan, and other country.
AGRICULTURE SECTOR OF INDIA

Agriculture sector has been the backbone of the Indian economy, and it will continue to remain so for a long time. It has to support approximately 17% of world population from 2.3% of world geographical area and 4.2% of world’s water resources.

Indian agriculture is characterized by agro-ecological diversities in soil, temperature rainfall, and cropping system. As well favorable solar energy, the country receives about 3 trillion m3 of rainwater, 44 medium, 14 major, 55 minor, and rivers share about 83% of the drainage basin.

- India with land of 184 million hectares.
- India produces per annum 90 Million tones of milk
- India also produces 150 million tones of fruits and vegetables
- India has 485 million livestock Population (largest)
- India produces 204 million Tones food grain (third largest)

GUJARAT AGRICULTURE INDUSTRY:

Gujarat is endowed with rich natural resources in terms of various soil, climatic conditions and diversified cropping pattern suitable for agricultural activities. Gujarat stands fourth in the country in terms of per capita agricultural production, Major agricultural crops are: bajra, groundnut, cotton, rice, maize, wheat, mustard, sesame, green gram, gram and sugarcane.

Major agro-processing units in the State are Cotton ginning, Oil mills (groundnut, soya bean, castor), Rice mills, Pulse mills, Tobacco, Sugar mills etc.

ANALYSIS OF BRAZIL AGRICULTURE SECTOR

❖ Sugarcane:

Brazil is the world's largest producer of sugar cane (33.9%), sugar (18.5%) and ethanol (36.4%); and the largest exporter of sugar and ethanol. Ethanol production in Brazil uses sugarcane as feedstock and relies on first-
generation technologies based on the use of the sucrose content of sugarcane.

The production of overall sugarcane in Brazil is more compared to India during the last 5 years with highest production of 719157000 million tons in the year 2010. And India has production of 277750000 million tons in the year 2010.

❖ **Cotton:**

2011 cotton crop is expected to average 3.700 kg (8,140 lbs) p/hectare; an increase of 1.8%. The market is traded with a minimum price fluctuation of 0.05 cents per pound indicating a change in value of $18.75 per contract.

The production of overall cotton seed in India is more compared to Brazil during the last 5 years with highest production of 1568000 million tons in the year 2010.

❖ **Groundnut:**

The production of overall groundnut with shells in India is more compared to Brazil during the last 5 years with highest production of 9182500 million tons in the year 2007. India has production of 5640000 million tons in year 2010. And Brazil has production of 230449 million tons in year 2010.

❖ **Cashew nuts with shells:**

The production of overall cashew nuts with shells in India is more compared to Brazil during the last 5 years with highest production of 695000 million tons in the year 2009.

❖ **Castor oil seeds:**

The production of overall castor oil seeds in India is more compared to Brazil during the last 5 years with highest production of 1171000 million tons
in the year 2008. India has production of 1150000 million tons in year 2010. And Brazil has production of 93025 million tons in year 2010.

❖ Soybeans:

The soybean first arrived in South America in Brazil in 1882. The main producers of soybean are the United States (35%), Brazil (27%), Argentina (19%), China (6%) and India (4%). The beans contain significant amounts of phytic acid, alpha-linolenic acid, and the is flavones genistein and daidzein.

The production of overall soybeans in Brazil is more compared to India during the last 5 years with highest production of 68518700 million tons in the year 2010.

❖ Grains:

According to Brazilian Institute of Geography and Statistics (IBGE) that the national cereal, pulse and oilseed harvest is expected to yield 158.7 million tons in 2011, which is 6.0% higher than the record harvest obtained in 2010 of 149.7 million tons, according to April 2011 estimates.

According to the survey, Brazil’s grain harvest area will reach 48.6 million hectares in 2011, indicating a 4.3 percent increase from the harvested area in 2010. The cultivation of rice, corn and soybeans - which together represent 90.8 percent of the volume of grain production - accounts for 82.5% of that total area to be harvested. In comparison with the previous year, the expected increase in harvested areas of these cultures is 2.1% (rice), 4.1% (corn) and 2.8% (soybeans) in 2011.

❖ Pepper:

Brazil recycles 3 million tons of paper per year, that is, 44.7% of the domestic apparent consumption. The Brazilian pulp and paper industry owns 1.5 million hectares of planted forests for the production of pulp and paper - in 394 municipalities of 11 states.
The production of overall pepper in Brazil is more compared to India during the last 5 years (except for the years 2006 and 2010) but India's production was 92900 million tons in the year 2006.

**Coffee:**

The market is traded with a minimum price fluctuation of 0.05 cents per pound indicating a change in value of $18.75 per contract. Brazil is the world's leading coffee producer. This market is particularly sensitive to cold weather in Brazilian coffee areas during the months of June, July and August. Rainfall during September, October and November is also very important for Brazilian production prospects.

The production of overall coffee in Brazil is more compared to India during the last 5 years with highest production of 2874310 million tons in the year 2010.

**Tobacco:**

Brazil is a major tobacco producer, ranked second in the world after China, and therefore is sensitive to changes in international tobacco trade. Recent improvements have upgraded Brazilian tobacco to a new quality status, and production capacity has been expanded, mainly for export.

In Brazil around 135,000 family farmers cite tobacco production as their main economic activity. Tobacco has never exceeded 0.7% of the country's total cultivated area. In the northeast, darker, air-cured and sun-cured tobaccos are grown. These types of tobacco are used for cigars, twists and dark-cigarettes.

The production of overall tobacco in Brazil is more compared to India during the last 5 years with highest production of 908679 million tons in the year 2007. India has production of 755500 million tons in year 2010. And Brazil has production of 780942 million tons in year 2010.
**Cocoa beans:**

The production of overall cocoa beans in Brazil is more compared to India during the last 5 years with highest production of 233348 million tons in the year 2010. India has production of 12300 million tons in year 2010.

**Coconut:**

Brazil has production of 2705860 million tons in year 2010. And India has production of 10824100 million tons in year 2010. The production of overall coconut in India is more compared to Brazil during the last 5 years with highest production of 10894000 million tons in the year 2007.

**Jute:**

Brazil has production of 934 million tons in year 2010. And India has production of 1743000 million tons in year 2010. The production of overall jute in India is more compared to Brazil during the last 5 years with highest production of 1926000 million tons in the year 2009.

**Linseed:**

Brazil has production of 12000 million tons in year 2010. And India has production of 146000 million tons in year 2010. The production of overall linseed in India is more compared to Brazil during the last 5 years with highest production of 1725000 million tons in the year 2006.

**Rice (Paddy):**

Brazil has production of 11308900 million tons in year 2010. And India has production of 11308900 million tons in year 2010. The production of overall rice (paddy) in India is more compared to Brazil during the last 5 years with highest production of 148770000 million tons in the year 2008.
Beans (Dry):

The production of overall beans (dry) in Brazil is more compared to India during the last 5 years (except for 2007) with highest production of 3486760 million tons in the year 2009. Brazil has production of 3202150 million tons in year 2010. And India has production of 3029800 million tons in year 2010.

Tea:

The production of overall tea in India is more compared to Brazil during the last 5 years with highest production of 991180 million tons in the year 2010. Brazil has production of 18400 million tons in year 2010.

Wheat:

The production of overall wheat in India is more compared to Brazil during the last 5 years with highest production of 80710000 million tons in the year 2010. Brazil has production of 6036790 million tons in year 2010.

Maize:

The production of overall maize in Brazil is more compared to India during the last 5 years with highest production of 58933300 million tons in the year 2008. Brazil has production of 56060400 million tons in year 2010. And India has production of 14060000 million tons in year 2010.

PRESENT TRADE RELATIONS WITH BRAZIL

- Brazil possesses the largest share of uncultivated cropland in the world – a land ready for transformation. India can grow crops overseas and import back by providing Triple A – adaptable, appropriate and affordable - technologies and expertise in small farm mechanization and empowerment of women through microfinance and cooperative enterprises thus both can reignite a primary engine for growth and prove vital to the region’s food security.
India can contribute towards the way of water saving, food security and energy security through the advances in water preservation and drip irrigation technology. Brazil can achieve maxim of “more crop per drop” to utilize end-to-end production to processing benefits through of solar energy-based innovative pumping and irrigation systems.

The Indian Government’s increasing lines of credit – up to US$5 billion and investment of US$15 million to develop commercial agriculture in Sierra Leone and through 300 scholarships of small duration training programs in areas including livestock & fisheries production, water preservation, value addition, farm modernization and post-harvest processing & can lead to continuing engagement and ploughing back the skills acquired into their home countries.

The ministry of food processing industries is arranging to set up a food processing group of investment of Rs.117 crore to be spent primarily for training and capacity building of 350 persons from Sub-Saharan Africa and further setting up of shared infrastructure for food processing parks including cold storing, food testing labs, development centers, pre-cooling chambers and other modern technologies used by the industry.

Dairy products market especially milk can be a big market to achieve more profits due to the unfair subsidies because importing milk is comparatively cheaper than buying from local markets.

Due to the growing demand for certified bio-food India can glorify this market with its 40% of agricultural land untouched by any chemicals, pesticides or fertilizers.
POSSIBILITIES/OPPORTUNITIES FOR INDIA

According to the above analysis it can be concluded that both the countries are emerging economies with immense opportunities for further trade in terms of imports and exports.

- Due to the increasing demand for cotton fabrics and other surgical use of cotton India can export huge quantities of cotton seeds as well as cotton ginning facilities to Brazil and thus stretch its bilateral trade concept by becoming the leading exporter.

- Due to the increasing demand for linseed in the preparation of breads and cakes India the third largest producer can export huge quantities of linseed at low cost to Brazil.

- Due to the increasing demand of roasted groundnut, peanut butter, peanut flour for baking and peanut oil for confectionary purposes in Brazil, India can export huge quantities and also meeting the cashew nut demands.

- The increasing demand for castor oil seeds in Brazil for bio-fuel industry i.e., ethanol and diesel production can lead to immense opportunities for India (the biggest producer with 62.4%) to export and utilize the diesel produced in future to avoid scarcity of petroleum products.

- The high demand for coconut water and the grower needs for supplementary source of income in Brazil can help India the world’s third producer of coconut to export to Brazil.

- The huge production of sugar demands about half of the production of jute in India for jute bags. The rising demand of it for handicraft
products and clothes also emerge as a future export opportunity for India as it the third largest producer of jute.

- The demand for green and flavored (masala) tea among the Brazilians provide huge export opportunities to the world’s leading producer of tea, i.e., India.

- India being the second largest producer of wheat and rice (Basmati) can capture the opportunities due to the Brazilians staple food including rice and shifting their taste towards wheat.

- The increasing demand for sugar in Brazil and India can give future opportunities since Brazil being the second largest producer of sugarcane. India having major stake in refining and processing sugar can export sugarcane and import the sugar to Brazil.

- The poultry sector forms the largest chunk (51%) followed by human consumption in India leading to Brazil’s possibilities to increase trade by exporting maize at low cost.

- Increasing popularity of chocolate and coffee consumption due to shifts in food habits has lead Indian companies i.e., Amul, Cadbury, Jindal cocoa to export good quality cocoa from Brazil being the fourth leading producer.

- There is increasing consumption of soy beans in the form of flour in breads and chapatti, vegetable oils, soy milk, green soy beans with high protein in India but, it is costly to cultivate domestically than to import. So, Brazil can use this opportunity to export soy beans.
FUTURE PROSPECTS FOR INDIA TO TRADE WITHrazil

- India can harvest Africa’s potential and thereby address global food security due to the increasing demand for rice. Since India’s brand basmati rice is the main course of the Brazilian’s staple food India can become the net exporter of rice. It also has the target to produce 750,000 tons by 2015 compared to 2009-10 546,000 tons along with cultivation of food crops; cereals (rice and maize), and fresh vegetables, in addition to cash crops by providing low-cost irrigation pumping systems to Brazil.¹

- India through the Sterling Group for olive production; Olam owned by NRI for peanut production and the Solvent Extractors Association of India (group of 16 companies) for production of oilseeds can lead to a revolution in the Brazilian agricultural sector.²

- Brazil being a leading producer of sugarcane-based ethanol for cars, India can develop the alternative fuel. India can emerge as one of the largest sugar producers in the world. The Bharat Petroleum Corporation, Bajaj Hindustan and private companies like Rajashree and Godavari can explore opportunities in the field of sugar production and investments. Its best example is the India’s largest sugar refiner, Shree Renuka Sugars that bought sugar and ethanol producer Vale Do I vai S.A. Acucar E Alcool(November 2009) for $240 million and Equipav SA Acucar e Alcool(February 2010) by investing another $329 million for a 51-percent stake.³

- There is a significant increase in the demand for soybeans in India so the genetically modified grains (soya) and growing investment in farm mechanization with the help of Embrapa can lay the foundation for farmers in India to utilize their skills overseas by “no-till” agriculture which increased to 50% in Brazil in which the soil is not ploughed nor the crop is harvested at ground level, rather, it is cut high on the stalk and the remains of the plant are left to rot into a mat of organic material.
PROBLEMS FOR AGRICULTURE SECTOR

- Seventy percent of Brazil’s greenhouse gas (carbon dioxide, ozone, methane...) emit are the result of changes in land and deforestation use to lay concrete on the way for production of farm animals and crops. Brazil's greenhouse gas emit from agriculture have increased 51 percent between 1990 and 2010. Cattle are major factor for these emit. If all parts of the “cattle chain” had been included, the researchers add, the proportion of greenhouse gases attributable to Brazil’s cattle would have been even larger.

- Brazil's soy production and cattle are determined in the Legal Amazon and Cerrado grasslands regions, and have resulted in vast deforestation, water pollution and biodiversity loss. As of 2009, about 74 million cattle, or 45 percent of Brazil’s herdsman, were living in what is known as the “Legal Amazon.” Almost a million square km or nearly half of the Cerrado, have been burn and are now cattle fodder, or are extensive cultivated for sugarcane, corn and soybeans, for ethanol production.

- 50-60 percent of deforestation in the Amazon results from cattle ranches while the rest mostly results from small-scale life agriculture. Despite the entire press attention, large-scale farming e.g. soybeans, wheat. Currently contributes relatively little to total deforestation in the Amazon. Most soybean extensive cultivation takes place outside the rainforest in the nearest Cerrado grassland ecosystem and in areas that have already been cleared. Taking down results in forest degradation but rarely direct deforestation

- Climate change will affect agriculture, but it is vague how and where much Climate change will have lot of consequences for agriculture. Water sources will become more changes, floods and droughts will stress agricultural systems, some coastal food-producing areas will be inundated by the seas, and food production will reduce in some places in the interior. Crops and animals are affected by changes in temperature and rainfall, but they are also influenced by human.
COTTON INDUSTRY OF BRAZIL

Annually, over 6,800 farms are involved in cotton production on about 800,000 to 1 million hectares land. The market structure for the purchase of seed cotton, i.e. level of competition between ginneries, was market-based during this period, describe the market as an oligopoly (a market comprising few buyers). After ginning, cotton lint could either be sold to the domestic market or for export. When sold to the domestic market, brokers were often used as intermediaries before the cotton was bought by the domestic textile industry. In the current sector structure cotton seeds are supplied by three sources: by companies developing varieties, e.g. Bayer, Dow, Syngenta, by co-operatives, e.g. COMDEAGRO, or by dealers (independent firms specialized in selling seeds).

In contrast to the previous structure, the government has no role in supplying cotton seeds. Since cotton producers now are larger, they had access to more capital and could therefore afford to hire private consulting firms to satisfy their needs. Hence, along with the expansion of cotton cultivation, the number of consulting firms in the Cerrado also increased. Today, it is estimated that approximately a thousand consultants provide extension in the Cerrado. Additionally, consulting firms often have access to a
portion of a cotton producer’s area where they can observe how new management technologies work in practice. as the name of the cotton represents it is fine and it has long thin fibers. It is light brown in colour and they are very useful in making the strong cotton yarns.

It is mostly used in manufacturing bed sheets, cushion covers and much more. This type of cotton has very high prices all over the world markets. It has a very silky texture which makes it to be used as the best cotton. It also has long staple texture which is mixed with silk. So, whosoever reads the label of 'sea island cotton' on clothes, than it would definitely throw out more money from your pockets. This type of cotton is cultivated in India, China and the eastern region. It has strong and harsh fibers. It is used for producing products like blankets, filters, coarse clothes, padding materials and many more. American Upland cotton is the other commonly used cotton all over the globe. It is less costly and is of basic or ground level quality & also used in making other types of fibers also. It is also used in manufacturing denim and other costly shirts. India-Brazil two-sided relatives are in a state of clearly visible upswing. Although the two countries are divided by geography and distance, they share common democratic values and developmental aspirations.

Both are huge developing countries, each an important player in its region, both constant, secular, multi-cultural, multi-ethnic, large democracies as well as trillion-dollar economies. There has been frequent exchange of VVIP, Ministerial and official-level visits in modern years resulting in strengthening of bilateral relationship in various fields. Jawaharlal Nehru Award for International Understanding for 2006 and Indira Gandhi Prize for Peace, Disarmament and growth for 2010 was conferred on President Lula. Diesel oil, coke of coal, lignite or peat, equipments related to wind energy, engineering and electrical equipment, cotton and polyester yarns, naphtha, pigments, medicines and chemicals. In 2011, the Brazilian Ministry of Agriculture did not make any official government payments to cotton producers.
The historic market prices in 2010 guaranteed least income levels producers and well exceed the least trigger cotton price set by the Federal Government. The late 1980s and early 1990s saw development strategies shift in Brazil and wherever else. In Brazil, the shifts first drove cotton production downward and at times led to increased imports, but also laid the foundation for a renaissance in cotton production. The import-substitution industrialization (ISI) approaches from the 1930s through the 1970s facilitated Brazil’s rapid economic growth and industrialization (Barros, 2009). The Latin American region comprises of following 43 South American Central American and Caribbean countries In 2010/11, the Indian government restricted exports of cotton to about 1.1 million tons.

![Brazilian Biomes](image)

Without the restriction, net-exports from India could have grown to about 1.25 million tons, and India could have both exported and imported cotton in 2010/11. India has a Minimum Support Price program, but because market prices were high in 2010/11, this program did not result in payments to
producers. Cotton farmers in India benefit from debit forgiveness and fertilizer subsidies from the government of India. In addition the Government of India provides support to cotton production through several programs, such as development of infrastructure facilities for production and distribution of quality seeds. There was no man's land. Nobody could get away with anything, right from the starting purchases to inwards as cotton was noted down under "free" exports. The Government also thought about subsidizing exports, even when the indigenous cotton mills were having the unavailability of cotton at very high prices also with high level of scarcity.

<table>
<thead>
<tr>
<th>Program</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>4.5</td>
<td>0</td>
<td>1.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(AGF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEP</td>
<td>136.5</td>
<td>1.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PROP</td>
<td>272.2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PEPRO</td>
<td>0</td>
<td>461.5</td>
<td>428.9</td>
<td>1,023.6</td>
<td>792.2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>413.2</td>
<td>463.3</td>
<td>730.0</td>
<td>1,023.6</td>
<td>792.2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Production</td>
<td>1,298.7</td>
<td>1,037.8</td>
<td>1,524.0</td>
<td>1,602.2</td>
<td>1,213.7</td>
<td>1,194.1</td>
<td>1,959.8</td>
</tr>
<tr>
<td>Participation</td>
<td>31.8%</td>
<td>44.6%</td>
<td>47.9%</td>
<td>63.9%</td>
<td>65.3%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Recent notification has said or predicted towards the downward trend in raw cotton prices, to Rs 3,400 per quintal from Rs 3,700 per quintal. Procurement are to be at a continuous level in the emerging/developing states. Cotton Corporation of India (CCI) said it was keeping a watch on procurement and prices in the wake of the partial roll-back. A CCI officer told Business Standard: “We will look in and start providing when prices reach the Minimum level of Rs 3,300 per quintal, as done in Andhra Pradesh.” An awkwardness of regional and two-sided trade agreements (RTAs) and
initiatives followed unilateral liberalization. Marcos, a regional customs union with a common external tax, was founded in 1994. The same year saw the launch of negotiations for a Free Trade Agreement of the Americas (FTAA). Persistently bad business-climate and governance indicators show that structural reforms have not accompanied or followed external liberalization in Brazil.

The really serious deficits lie in pensions, taxation, labor markets and public administration. Like Brazil, India is very active in the WTO and is a lead player in the Doha Round. Its GATT and GATS commitments are weak. However, WTO rules post-Uruguay Round have induced significant changes in national practice, especially the removal of quantitative restrictions, and compliance with the TRIPS and TRIMS agreements. From the last few years country has achieved significant quantitative increase in cotton production. In past country used to import huge quantity of cotton from outside. However, after Government launched special schemes like intensive cotton production program through successive five-year plans that cotton production received the necessary impetus through increase in area and sowing of Hybrid varieties around mid 70s. Country now had become more efficient and capable in production of cotton.
EVOLUTION OF THE RETAIL MARKET IN BRAZIL

- Retailing in Brazil is no doubt one of the sectors that have shown much dynamism. To keep strengthening, the sector has focused on increasing and rendering more inclusive services which emphasize convenience to the end customer, thus investing in improving its management.
- Trends in an extremely competitive market combined to determination of a consumer increasingly demanding and aware of their purchasing power, push the industry to a constant renewal.
- It is estimated that by the early 80's about 70% of customers were loyal to a particular store or supermarket chain, for case in point. More recent studies point out that almost 80% of the representatives of Brazilian households attend three to four different places to keep them supplied.
- Brazilian companies began to invest in new sales channels to increase their geographical area of operation, gain new customers and increase market share.
- The tactic prioritizes the channels of electronic commerce, or e-commerce, and direct door-to-door sales, considered by the entrepreneurs, the most attractive due to factors such as low investment value and great service area. Currently, 600 new companies requested to join e-bit, which represents e-commerce in Brazil.
- According to Forrester Research, online sales of products reached US$2.8 billion in 2005 and should reach US$12.8 billion by 2010, representing an annual growth rate of 38%.
- Similarly, sales of online services should also grow rapidly. According to Jupiter Research, online sales of travel reached R$2.6 billion in 2005.
and should reach US$10.2 billion by 2010, representing an annual growth rate of 31%.

RETAIL SEGMENT IN BRAZIL

- Brazil became a hot destination for investors since it found a place for itself in the now famous BRIC group of emerging economies. While some of Brazil’s bigger counterparts ran for cover during the financial crisis of 2008-09, the Latin American economy managed to keep its head above water, thanks to the consumption potential of its people.

- The Brazilian market is also perhaps the most internationalized among the BRICs, as the top 10 retailers corner almost 60% market share among themselves. Food retailers, apparel retailers, consumer goods makers, appliance retailers, and consumer staples companies form the backbone of the sector.

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership</th>
<th>Market Cap in Billions (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pao de Acucar</td>
<td>Public</td>
<td>10.9</td>
</tr>
<tr>
<td>Carrefour S.A.</td>
<td>Public</td>
<td>NA</td>
</tr>
<tr>
<td>Walmart Brasil</td>
<td>Public</td>
<td>NA</td>
</tr>
<tr>
<td>Lojas Americanas</td>
<td>Public</td>
<td>7.2</td>
</tr>
<tr>
<td>Lojas Renner</td>
<td>Public</td>
<td>4.1</td>
</tr>
<tr>
<td>CIA Hering</td>
<td>Public</td>
<td>3.9</td>
</tr>
<tr>
<td>Hypermarcas</td>
<td>Public</td>
<td>3.8</td>
</tr>
<tr>
<td>Raia Drogasil</td>
<td>Public</td>
<td>2.7</td>
</tr>
<tr>
<td>Lojas Marisa</td>
<td>Public</td>
<td>2.1</td>
</tr>
</tbody>
</table>
RETAIL INSTALLATION IN BRAZIL

There are many ways to install a retail business in Brazil. Below are the most common forms:

1. Starting a Business
2. Amalgamation
3. Merger
4. Acquisition

MAJOR MARKET IN RETAIL SECTOR (GROCERY)

Brazil has emerged as the world’s third-biggest grocery market, next only to America and China, thanks to the aggressive growth strategy adopted by players operating in the market, both foreign and domestic.

Global retailers such as Walmart and France’s Carrefour bank on the Brazilian market to make up for sagging sales elsewhere. At the same time, domestic market leaders such as Pao de Acucar give them a run for their money. Still, the new entrants find it tough to gain a foothold in the highly competitive market, which offers great potential for growth.

STORE FORMATS

1) Supermarkets
2) Hypermarkets

PROBLEMS AND PROSPECTS OF BUSINESS/TRADE WITH BRAZIL:

MAIN PROBLEMS FOUND IN RETAIL SECTOR IN BRAZIL

- According to international studies that measure the tax burden of several countries, Brazil is one of the places that have the highest tax
burden, representing 36.54% of Gross Domestic Product (GDP), bringing huge problems for the Retail Market.

- Additionally, Brazil has an ultra protective Consumer Code, reversing the burden of proof in court and demands, from the company, several responsibilities after sales duties, with long warranty periods to be respected and the right of return by the consumer.

- Thus, for a retail company which sets up in Brazil there are many obstacles to be overcome for growing the business, requiring planning and market research considering those barriers.

- Brazil may import licensing requirements can be difficult - the import of products with the most advanced country needs a license from the Secretariat of Foreign Trade, which is the only organization allowed to issue such a document. List of products subject to the initial license is not a general, though - and this is only available to registered users, and they are accredited. Therefore, due to these difficulties, and often closed on goods imported or delayed.

THE ROAD AHEAD FOR RETAIL

- In the first place, is expected in the country, and the education system, and focus on training in the future to support a growing force in the retail sector.

- It is expected that the poor infrastructure, a curse, and the Brazilian retail industry for years, as well as anxiety, but preparations for the 2014 World Cup football and the Olympic Games in 2016 to be a long way to meet the need.

- While the natural resources sectors such as banking, dominated by the so-called state capitalism, where the government exercises control over the companies of strategic importance in the retail sector in Brazil has remained more or less independent.

- Thus, the success in Brazil retail should be understood that the broader context of the growing middle class, as is the case in many emerging
markets. Unlike other emerging markets, and have tasted a lot of wealthy people, such as Wal-Mart and Carrefour unprecedented success in the retail sector.

- Against a backdrop of slowing global growth and prevent a crisis in the Euro-Atlantic area, in Brazil, despite its flaws, may prove to be an oasis growth of international retailers.

- Amid the unraveling Euro-zone crisis and slowing global growth, Brazil, despite all its shortcomings, may yet prove to be an oasis of growth for global retailers.

- Brazil's most famous in the world, the Amazon forests and Carnival of Rio de Janeiro, and it correctly. It symbolizes the enormous natural wealth and cultural diversity of the largest economies in Latin America. And also appear in the resource base, and the vitality of the population which may be one of Brazil's largest economy in the world.

IDENTIFICATION OF POSSIBILITIES/ NEW OPPORTUNITIES OF BUSINESS WITH BRAZIL:

- Investment Opportunities:
  1. The Key Sectors of the National Economy:

Agriculture (sugar cane, coffee, oranges, soybeans, bananas, walnuts, cashews, corn, pineapple and pepper), beef, poultry, tobacco leaf, mineral ores, andaluminum iron. Asserting itself more and more countries, spinning, weaving, aviation, pharmaceuticals, automobiles, iron and steel industry and chemical industry.

2. High Potential Sectors:

Many sectors in Brazil offers excellent short-term opportunities, raw materials, agriculture and agri-food industry and information technology (hardware and software), and energy and mining of oil and gas, franchises, insurance, and iron and steel, medical equipment, pharmaceuticals, industry and pollution control devices, ports, airports
and industry aviation, rail and infrastructure of telecommunications and tourism.

3. Privatization Programs:

None. Auctions of infrastructure concessions are expected for 2011-2015.

4. Tenders, Projects and Public Procurement:

❖ Trade opportunities:

1. In search of expansion for economic and trade relations, the Governments of Brazil and India have adopted a strategic partnership encompassing health, education, science and technology, defense, agriculture, social and environmental programs. The President Dilma Rousseff said on Friday, March 30, 2012, during a visit to New Delhi, India, that the goal is to increase the negotiated amount of US$ 9.12 billion in 2011, to US$ 15 billion by 2015.

SUMMARIZING THE STUDY ON RETAIL SECTOR:

- Demographically country is stable as they have got majority of catholic followers, so the population is not that diverse, so we can have a same pattern of products across the chain of retail shops if we opt for retail chain.
- High levels of public debt and inflation were the signature of many Latin American economies including Brazil. To put things clearly, inflation in Brazil had touched a mind-boggling 5000% in 1994. These high figures of inflation scenario worked as determinant of both consumers and retailers alike.
- If buyers were forced to make purchases soon after they received salaries for fear of losing the real value of their money, retailers too had to revise their price lists frequently. To sum up, the economic situation was not encouraging for retailers as they tried to gain a toehold in the domestic sector till 1994.
Thankfully, the situation improved under Fernando Cardoso, the dynamic leader who was the president of Brazil from 1995 to 2002.

By the mid-1990s, international retailers agreed to the fact that developed markets had reached a point of saturation and offered little scope for further expansion. Quite naturally, their target was the newly emerging markets, especially Brazil.

We can conclude that, as now the economy has stabilized because of various efforts, Brazil has been a place where our investments can have fruitful results.

Considering the political environment, Brazil is a democratic country, so peoples participation in selecting the ruling party is important, so any government with faulty intention cannot last more so thus Brazil is safe as far as ruling party is concerned.

We can also see that every ruling party has ruled for at least 2 years which is stable period and the political is stable from this point of view. Also we can see that every ruling party has tried to bring such changes that will result in betterment of Brazil so from this we can say that political policies would not hamper our growth.

The current president Dilma Rousseff expanded the scope of the good work initiated by her predecessors, boding well for consumers and industries alike. With this, the stage was set for consumer-oriented sectors such as retail to train their guns on the Brazilian market.

We can conclude from the above points that Politically Brazil is a stable country to invest and retail sector would flourish in Brazil, and also it has got good stable presence in international trade.

Economic stability is increasing day by day by the efforts of governments ruling. Political stability and demographic stability is also satisfactory and retail sector would not be having any negative effects on it.

To survive in such a competitive market and overcome the threat of emerging new retailers in Brazil, entrepreneurs must look forward in
innovation, focusing their strategies on creating unique experiences and to enable themselves to position themselves in different portrait.

- In the end, if you are in chain of retailer and looking to invest in another country Brazil could be considered as a good option.
- The Southeast region of Brazil, which comprises the states of Sao Paulo, Rio de Janeiro, Minas Gerais and Espirito Santo, continued to be the great economic engine driving supermarket sales. It generated more than half of revenues in 2010 - 54.1 percent.

**STRATEGIC SUGGESTIONS FOR TRADE AND BUSINESS IN INDIA:**

1) It’s clear that every retailer must focus on innovation and marketing strategies so as Brazil is emerging market we would have a great scope of capturing market

2) Focus on strategy of cost cutting as lower price than the other competitors would give us competitive edge.

3) For new investors focus should be on the entry strategy in which they will have to make their product familiar with the Brazilian population

4) Supply chain is similar such as Manufacturer to wholesaler to retailer to consumer so that better implementation of it would be a great benefit for the retailer.
CHEMICAL INDUSTRY OF BRAZIL

INTRODUCTION

The chemical industry today is present in most consumer goods and in all economic activities, providing solutions and contributing to process improvement and product quality. With abundant capital, knowledge and qualified human resource, the segment produces an extensive range and amount of inputs for all sectors. Investments in the chemical industry are massive and capital-intensive. Therefore, the value of such investments is high when compared to the sums invested in other industrial segments.

BRAZIL CHEMICAL INDUSTRY

In Brazil, it is estimated that the sector’s participation in the GDP reached 3.1% in 2008. With regard to the industrial GDP, the chemical industry has the third largest sector contribution in Brazil, accounting for 10.3%. According to IBGE’s Annual Industrial Survey Brazil’s chemical industry recorded a turnover of US$103.3 billion in 2009. The Brazilian chemical industry ranks ninth worldwide. The trade deficit for chemical products in Brazil rise from US$1.2 billion in 1990 to US$6 billion in 2000, peaking at US$23.2 billion in 2008. The deficit reduction to US$15.7 billion is mostly attributable to the global downturn of economic activity.

This document presents an alternative for overcoming the obstacles that may affect the achievement of the potential for investments and development related to the expansion of the chemical industry. Plans include the establishment of an agenda of commitments for companies in the sector and an active contribution to the creation of public policies aimed at the development both of the chemical industry.
INDIAN SCENARIO

Chemical industry is the oldest industries in India. It is estimated that the size of Indian chemical industry is around US$ 30 billion. In India the Volume of production in chemical industry is third largest producer in Asia (next to China and Japan), and twelfth largest in the world. The industry, comprising both small-scale and large units produces several thousands of products and bi-products, ranging from plastics and petrochemicals to cosmetics and toiletries.

The chemical industry produces around 8 million metric tons each of basic chemicals and basic petrochemicals, and around 10 million metric tons of Petrochemicals intermediaries in 2005-06.

Gujarat is the major contributor to the basic chemical as well as petrochemical production with 54% and 59% share in all India production, respectively. Other major states producing basic chemicals include Maharashtra (9%), Tamil Nadu and Uttar Pradesh (6% each). Other major states producing petrochemicals include Maharashtra (18%), West Bengal (12%), Uttar Pradesh (4%), and Tamil Nadu (3%).

THE INDIAN CHEMICAL:- industry has been receiving significant investment intentions including (FDI). Since August 1991, and till November 2006, chemical industry has received investment proposals worth Rs.274486 crores, a share of 11.3% in total investment proposals received during this period.

Developing Trends in Brazilian Chemical of Industry

- Increased industry concentration.
- Imbalanced growth for dye classes.
- Quick development for reactive.
- Competition will be focused on quality and service.
ANALYSIS AND INTERPRETATION:

Opportunities of business:-

Chemical industry is a key sector in any economy, with a strong presence in practically all productive chains. It is no coincidence that the major world economies are also the leaders in the manufacturing of chemicals. Many countries have developed, created several employment opportunities, added value to their industries out of investments that started with the expansion in the production of chemicals.

The net income of the Brazilian chemical industry reached US$ 130 billions in 2010. Brazil ranks eighth in the world ranking of manufacturers of chemicals, at the top of which is the United States, followed by China, Japan, Germany, France, Italy and South Korea. The anticipated growth for the Brazilian economy of at least 4% a year between 2010 and 2020 would imply a demand for chemicals in 2010 of about US$ 260 billions, 80% superior to that of 2008.

Despite the favorable growth expectations, there is a strong concern about the current situation of the sector trade balance. The Brazilian trade deficit concerning chemicals has jumped from US$ 1.2 billion in 1990 to US$ 20.7 billions in 2010. Concerned about the deficit worsening and the lack of prospects for new investments, the Brazilian Chemical Industry Association (ABIQUIM) has launched the National Pact for the Chemical Industry, with the objective of analyzing the situation of the chemical industry and projecting the future demand for the next ten years.

CONCLUSION

The chemical industry is one of the most important and dynamic sectors of the Brazilian economy. It is estimated that the contribution of the sector in the GDP reached 3.1% in 2011. As for the industrial GDP, the chemical industry currently holds the third largest sector participation in Brazil, accounting for 10.3% of it, according to Annual Industrial Survey carried out by IBGE (Brazilian Institute of Geography and Statistics, the Brazilian Office
responsible for the national statistics). The Brazilian chemical industry ranks ninth worldwide in its sector, with a turnover of US$130 billion in 2011. The economic growth projected for the next ten years, a possible correction of the deficit in the trade balance of chemical products, the expansion of the renewable-based segment of the chemical industry, and the utilization of the opportunities arising from the pre-salt oil exploration give rise to potential investments of US$ 167 billion between 2012 and 2020. Added to this, there is the need for investments in Research, Development and Innovation of some US$32 billion, equivalent to approximately 1.5% of the total net turnover forecast for the period.

This document presents a proposal for overcoming obstacles that may affect the potential to achieve investments and development crucial to the expansion of the chemical industry in Brazil. This proposal is underpinned by the identification of drawbacks and the quantification of the investments required, and constitutes the National Pact for the Chemical Industry.

Its strategic goal is to position the Brazilian chemical industry among the five largest in the world, and to make Brazil a country with a surplus in chemical products and a leader in green chemistry.

The Pact, a study conducted by the economist and professor Joao Furtado, after in-depth consultation with most leaders and executives of the chemical industry, encompasses a number of commitments made by the chemical industry to innovation, to the social and economic development of country and the creation of propitious conditions for investment in the sector.
Suggestions

- In order to improve the chemical industry performance in India, specifically the dye sector, India should allow large scale industries to take part in the same.

- India should continue to improve its R&D facilities and infrastructure for the chemical industry as, it is one of the most necessary factors to attract FDIs.

- Dye and pesticide sectors are the most profitable sectors for the Brazilian chemical industry. Brazil should concentrate more on the R&D requirements of both in order to exploit this situation more profitably.

- Brazil should also improve its other industries such and power and transportation as, they directly affect the performance of the chemical industry.

- Brazil should concentrate on the development of energy supply, transportation and electricity related problems so as to avoid the hindrance caused by them in the development of the chemical industry.

- India-Brazil trade relations are mutually beneficial for both the countries as far as the chemical industry is concerned and both the countries should try to enhance the same in order to maintain and develop the current market position that they enjoy.

- Growth of dyes and dye intermediates industry in India is basically a post independence phenomenon. Thus, it is necessary for India to organize the industry and the norms related to the same in order to make it more profitable.

- The relations between India and Brazil should also be used for the further development of related industries such as textile and printing.

- India needs to organize its dye sector and attract major players to contribute in the same. The concentration should be focused on two main states viz. Maharashtra and Gujarat which have the potential to deliver in the same.
Financial Markets of Brazil

Brazil financial market is one of the most emerging global markets in recent era. From 2003, the financial scenario of Brazil has been positively changed.

The world markets of coffee, soybeans, iron ore and crude oil developed considerably in the recently. This has consisted with the growth of the financial markets of Brazil since these are the basic products and minerals exported from the country. The prices of these commodities are on the advanced in the Brazil market therefore the Brazilian traders obtain higher profit from these products’ trading.

The huge surplus replaced the trade shortages in Brazil. The Brazilian real value is approximately half the US dollar value. The performance of the stock market of Brazil is quite acceptable. The Bovespa index touched the 52,750 points in May 2007 and the increase in the market is estimated at a rate of 18.2%.

The economic condition and financial market has been interred related with each other. In the preceding years, the Brazilian economy has been gained momentum and the total output was of $1.6 trillion in 2006 as par Brazilian economic study. After that is the rise up in the stock market. The Bovespa index of the Sao Paolo Stock Exchange is going superior and well. There are various sectors which are providing stable growth to the Bovespa index.
### The composition of the Brazilian financial system

<table>
<thead>
<tr>
<th>Regulating entities</th>
<th>Supervision Entities</th>
<th>Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Monetary Council (CBB)</td>
<td>Central Bank of Brazil (BCB)</td>
<td>Financial institutions taking demand deposits; Other financial institutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Foreign exchange banks; Other financial intermediaries and entities</td>
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<tr>
<td></td>
<td></td>
<td>administering financial assets of third parties</td>
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<tr>
<td></td>
<td>Securities and Exchange Commission (CVM)</td>
<td>Stock exchanges</td>
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<td></td>
<td>Commodity and Futures exchanges</td>
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</tr>
<tr>
<td>National Council for Private Insurance (CNISP)</td>
<td>Private Insurance Superintendency (SUSEP)</td>
<td>Reinsurance Companies; Insurance companies; Capitalization companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Entities operating private open pension funds</td>
</tr>
<tr>
<td>National Council for Complementary Pension (CNPC)</td>
<td>National Complementary Pension Superintendency (PREVIC)</td>
<td>Entities operating private closed pension funds</td>
</tr>
</tbody>
</table>

### The Role of Financial Intermediaries

The main institutions are constituted as universal banks that provide a wide range of banking services, in recent financial system. Other Organizations run with a degree of specialization, as showed in the following examples:

- Commercial banks fetch together demand and savings deposits. They provide credit to firms and households;
  - Investment banks bring together time deposits and specialize in medium and long term financial operations;
  - Savings banks pull together savings deposits & operate in housing finance;
  - Credit unions & Co-operative banks offer banking services to their members, which are rural manufacturer in their majority;
  - Savings and loan associations also pull together savings deposits and supply housing finance;
  - Consumer finance companies provide consumer credit;
Overview of Banking Sector in Brazil

If Brazil today is recognized as one of the fastest growing economy synonymous with a spectacular growth, its banks are the major reasons behind it.

Indeed, after the global financial crisis hit the world, most major commodity-exporting nations could spur the start of their economies only after acceleration in global trade, but Brazil charged ahead on the way to recovery powered by spending of its teeming population. And, Brazil’s banks among those led the charge.

There are so many factors that play important role to strengthen the Brazilian economy. In the 90s, Brazil adopted several Bank Regulation Act & Reserve requirements. When several banks went bust as the government took extraordinary steps to rein in hyperinflation. Because of their high interest margins and transaction fees, Brazilian Banks are historically more profitable than their counterparts in the world. In the years preceding the crisis, their consistently healthy profits helped them resist unhealthy risk-taking.

Brazilian had felt more confident for their job and future and therefore more inclined to borrow and spend on everything from household appliances to beauty treatments and cars, apartments, mobile phones. It is no wonder that Brazil entered a new era of credit-led growth, which has since led to a massive surge in the demand for loans, financial products, and nearly everything that is a source of revenue for banks in early 2009.
Central Bank of Brazil

The Central Bank of Brazil (Banco Central do Brasil) is Brazil's central bank. It was established on December 31, 1964.

Function:

- The stability of the purchasing power of the Brazilian currency and the soundness of the financial system
- It is central bank which is linked with ministry of finance and other banks of Brazil.
- It is principal monetary authority of Brazil which regulates financial market by controlling monetary policy.
- To ensure a smooth performance of the Brazilian payment system in the real-time settlement environment

TOP 5 BANKS ACCORDING TO TOTAL ASSETS

<table>
<thead>
<tr>
<th>BRAZIL</th>
<th>INDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITAU</td>
<td>STATE BANK OF INDIA</td>
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<tr>
<td>BANK OF BRAZIL</td>
<td>ICICI</td>
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<tr>
<td>BRADESCO</td>
<td>AXIS BANK</td>
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<tr>
<td>SANTANDER</td>
<td>BANK OF BARODA</td>
</tr>
<tr>
<td>CEF</td>
<td>BANK OF INDIA</td>
</tr>
</tbody>
</table>

BENCHMARK INTEREST RATES OF BRAZIL

Because of high inflation and other financial problem, Brazil had high interest rate. With the boom in the economy, Brazil's central bank's benchmark SELIC rate is low at 9% on April 19, 2012 as compared with the interest level of 2003 (24%-26%).
COMPARISON OF BENCHMARK INTEREST RATE BETWEEN INDIA AND BRAZIL

TOP BANKS IN 2010 OF INDIA AND BRAZIL  (In $ million)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>TOP BANK</th>
<th>TOTAL ASSESTS</th>
<th>PROFITS</th>
<th>WORLD RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRAZIL</td>
<td>BANCO DO BRAZIL</td>
<td>407212</td>
<td>7957</td>
<td>45</td>
</tr>
<tr>
<td>INDIA</td>
<td>SBI</td>
<td>256124</td>
<td>3470</td>
<td>68</td>
</tr>
</tbody>
</table>

ANALYSIS OF BANKING SECTOR OF BRAZIL

Strengths:
- Proactive central bank which lead to protect against potential distortion.
- Reasonably low risk exists in the banking sector.
- Brazilian banking rules and regulations are fulfills all important international banking standards

Weaknesses:
- Fiscal performance is not sound enough to manage external shocks.
- Rapid growth in private-sector leverage.
- Households’ saving in bank is very limited which lead to limited debt capacity.
RSFN - National Financial System Network

RSFN is the network of financial system formed for carry out the information flow all the way through the environment of the Brazilian payment structure, Financial Institutions holds account in the central bank of brazil, clearinghouses, National Treasury Secretariat and the central bank of brazil are connected in real time, by means of this infrastructure. This technological platform is used to access STR and SITRAF.

Capital Market

Due to the high liquidity observed across the world, The Capital Market of Brazil is flourishing at an unprecedented pace. An unseen wave of IPO’s, a vibrant stock market, a growing fixed income private market, and a strong real estate sector account for quick changes in capital markets and expanding potential economic growth.

The main factor behind the capital Market Boom is

- macroeconomic stability,
- prudent fiscal policy,
- cautious monetary stance
- strong export driven external sector

Bond Market

Brazilian bond market is the tenth largest in the world, similar to G7 countries. However, it is dominated by public securities, but now, at a less extent than in the past. Domestic private bonds represented only 2.6% of the GDP in 1992, while they reached 15% of the GDP in 2010 and continue to grow. International private bonds (issued abroad) also increased significantly from 0.1% of GDP in 1987 to slightly above 7% of GDP in 2010.
In fact, Brazil has one of the world's largest domestic bond markets with around USD 800 bn (83.7%) of GDP. Public securities respond for 50.9% of GDP and private bonds account for 32.8% of GDP.

Capital Market and Securities’ public offers in Brazil are ruled by the CVM – the Brazilian Securities and Exchange Commission.

**Stock market of brazil**

BM&FBOVESPA is a Brazilian stock exchange, created through the integration between the São Paulo Stock Exchange (Bolsa de Valores de São Paulo) and the Brazilian Mercantile & Futures Exchange (Bolsa de Mercadorias e Futuros). It has one of the largest market capitalizations in the world with 1.54 trillion US$.

Index is known as IBovespa.

Function:

It is intermediate of equity transaction, commodities, securities & future exchange of Brazil.
BOVESPA INDEX is down by 6.59% where as SENSEX INDEX is down by 13.62% in last year from April 2011 to April 2012

**Taxation Aspect of Brazil**

Brazilian companies are taxable for their worldwide profit and capital gains. The formation of the capital is unrelated, whether the investor belong to foreign or local. Foreign branches must pay tax in the similar method as resident entities.

**Tax year**

In Brazil tax year is the calendar year, irrespective of the corporate year. The yearly income tax return must be paid up by the last business day of June. The income tax return must also be paid in definite particular actions occur throughout the year (e.g., mergers, liquidations, spin-offs).

**Federal tax registration (CNPJ)**

All non-resident entities who own shares, economic investments, assets or rights in Brazil must obtain a corporate taxpayer registration number (CNPJ) with the federal revenue service (SRF - secretaria da Receita Federal).
Federal corporate income taxes

Income tax in Brazil can be broadly categories in two major taxes.

(a) the corporate income tax (IRPJ)

It applies at a basic rate of 15%, plus a surtax of 10% on the annual income that exceeds R$ 240,000.00 per year or R$ 20,000.00 per month.

And

(b) The social contribution tax on income (CSLL) charged on similar bases.

Social contribution tax on earnings is 9% on the net payable income which is not excluded for corporate income tax deduction

There are many other indirect taxes like IPI, ICMS, ISS, & IOF.

Foreign Exchange Reserve

Foreign-exchange reserves (also called forex reserves or FX reserves) in a stringent way it is 'only' the foreign currency deposits & bonds held by central banks and monetary authorities of particular country. However, in calculation of forex commonly people includes foreign exchange and gold, special drawing rights (SDRs) and International Monetary Fund (IMF) reserve positions.

FOREX RESERVE OF BRAZIL & INDIA

Brazil’s forex reserve is 365,216 million USD as on march 2012 where as India’s forex reserve is 295,820 million USD as on February 2012.

CURRENCY & EXCHANGE RATE:

BRAZIL

The REAL is currency of Brazil.

Its symbol is R$ and its ISO code is BRL.
Brazilian Real is not openly tradable in market.

INDIA

The Indian rupee is the official currency of the India.

Its symbol is ₹ and its ISO code is INR

\[
\begin{align*}
1 \text{ BRL} &= 27.8287 \text{ INR} \\
1 \text{ BRL} &= 0.530645 \text{ UD} \\
1 \text{ USD} &= 1.88780 \text{ BRL} \\
1 \text{ INR} &= 0.0359341 \text{ BRL} \\
1 \text{ INR} &= 0.0190349 \text{ USD} \\
1 \text{ USD} &= 52.5350 \text{ INR}
\end{align*}
\]

**Future Opportunities for Brazil**

**BRICS study group creation to organize a development bank**

Brazil, Russia, India, People's Republic of China and South Africa will make joint efforts to have a specific financial institute which is development bank for the group of BRICS countries. A effective group created by technicians from five countries will take out the studies to organize and put together the financial organization. However, before formation of bank, the group will internally decide the exchange rate of local currencies.

The President of India Ms Pratibha Patil said that the formation of the bank is a “positive indication”. The BRICS countries point out that it is possible to develop economically by creating jobs and distributing income. The President of India appreciated the joint invention to adopt local currencies on the domestic negotiations of the group countries. The President of India concludes that “The BRICS [countries] are a dynamic element in the international trade”.

The Indian prime minister made the proposal to make a development bank of BRICS was presented. The concept is that the new association is to turn out to be a kind of option to the World Bank and for the International Monetary Fund (IMF). The information will be set by the working group that will create the organization. For the Brazilian negotiators, the process of a bank formation will happen over the long term, as it will be essential to describe a number of aspects such as conditions, the structure and how the capital will be repay, along with the practices of bilateral and multilateral trading.

**OPPORTUNITY FOR GUJARAT:**

Brazilian currency real is not openly tradable in world market business of Brazil and Gujarat is taking place in USD. But formation of BRICS Bank will solve these problems by allowing business in local currency. So exporter and importer of Gujarat will definitely take advantage of BRICS bank and export and import will be significantly increases.

**Five Nation Stock Index (BRICS- stock exchange)**

Brazil, Russia, India, China and South Africa agree to list derivatives of Benchmark equity index in group countries of BRICS. Investors of any BRICS country is allowed in any derivatives of BRICS country to bet on the performance of stock markets in the other four members of BRICS without currency risk will be cross-listed on their stock exchanges.

This action will provide great opportunity for investors to invest in fastest growing countries with low amount of currency risk involvements.

**OPPORTUNITY FOR GUJARAT:**

People of Gujarat are known for their investment interest and investment decision all over the world. People of Gujarat play very important role in Indian stock market. As BRICS is going to start derivatives which is tradable from any group country with low currency risk, people of Gujarat will not leave this opportunity and they will defiantly take interest to invest in BRICS stock market. It creates new opportunity for investments.
Line of Credit

Export Import bank of India (Exim bank) provides Line Of Credit which is a risk-free export Loan option to Indian exporters. According to the LOC, Buyers of Brazil will get facility to make advance payment of 10 % of export value and remaining will compensate by Exim Bank to the Indian exporters upfront on shipment of goods. The credit period available to buyers of Brazil through UNIBANCO, varies from 6 months to 3 years.

Credit limit available for Indian exporter to trade with brazil under LOC is13 billion US$.

OPPORTUNITY FOR GUJARAT:

As EXIM bank of India signed agreement with Brazilian government any Indian exporter can sell goods to Brazilian buyer and Exporter of India will get immediate payment from government. Gujarat is exporting many things all over world and this agreement is going to motivate exports from Gujarat to Brazil.
Summary of Global Country Study Report: Brazil

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