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This International Business & Trade Law Alert is intended to provide general information for clients or interested individuals and should not be relied upon as legal advice. For further assistance regarding this subject area, or if you require more specific guidance in the event you are the subject of one of these searches, please contact one of the following attorneys:

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Brazil Presents Immediate Business and Investment Prospects

As it Prepares to Host the 2014 Soccer World Cup and the 2016 Olympic Games, Brazil is Now Generating Numerous Trade and Investment Opportunities

Brazil is one of a relatively few countries that has made a strong showing in weathering the global financial crisis. In fact, it appears that for Brazil, the worst of the international financial crisis has passed. Its economy began to grow again in the second half of 2009.

For clients looking for new business opportunities, the strength of the Brazilian economy — together with preparations for the Soccer World Cup in 2014 and the Olympic Games in 2016 — is already generating a long list of projects where the participation of U.S. investors, vendors and service providers would be welcome — either through direct investments, contracts, or by means of cooperation with Brazilian collaborators. Many of the projects will be structured as Public-Private Partnerships (PPP's). A partial list of such projects or business opportunities for the states of Rio de Janeiro and Minas Gerais is included below:

I. Rio de Janeiro

In the state of Rio de Janeiro alone, the government estimates that new investment projects needed during the period 2010-2016 will reach U.S. \$50 billion. Some of the major urban development projects include the following:

- 30 new hotels (17 already licensed, 13 to be licensed), some hotels to be refurbished;
- Stadiums (U.S. \$2.7 billion);
- Golf Course;
- Green Building Initiative;
- Construction of high speed train Rio-Sao Paulo;
- Two airport renewals (U.S. \$3 billion);
- Highway widening;

- The Port of Rio revitalization to include a new 30,000 square meter leisure area featuring bars, restaurants, an amphitheater, museum, aquarium, a multi-use space, and parking (R\$ 4b);
- Port dredging;
- Two new subway lines (R\$ 4b);
- Bus Rapid Transit (BRT) system (U\$ 1b);
- Housing projects (including low income housing);
- Water sanitation

An instructive video regarding investments in Rio created by the Federation of Industries of the State of Rio de Janeiro is available at <http://www.firjan.org.br/> (Decision Rio: 2010-2012).

II. Minas Gerais

With a geographic area nearly the size of France and the second largest state population in Brazil (22 million people), Minas Gerais houses the second largest and most diversified industrial concentrations in Brazil. The state is strategically located in the heart of Brazil, having ample water resources, fertile terrain, many other natural resources, and a very developed agribusiness. As such, Minas Gerais is considered to be Brazil's "warehouse." The state is also known for its very important mining and steel companies. Minas Gerais has one of the highest gross domestic product (GDP) in all Latin America (U.S. \$125 billion – 2008).



Minas Gerais services sector is also very developed. The capital, Belo Horizonte, is the third largest metropolitan center of Brazil with more than 6.5 million people. The state's capital is especially well known for its I.T. companies, financial services, and business management development companies – mainly due to the presence of several well-known universities and business schools. Since the beginning of the 21st century, the state has benefited from one of the highest GDP growth rates in Brazil. Minas Gerais' outstanding growth, highly developed service sector, and its global and geographic location is an excellent option for foreign companies planning to invest in or export equipment or services to Brazil.

As a foreign company, it is prudent to wonder whether it is safe and profitable to invest in Brazil and to question whether Brazil is well structured legally to receive and protect foreign investment. Brazil has certainly made significant progress in its legal and regulatory scenario regarding foreign investment. Standard & Poor's considers "Brazil's capital market to be one of the strongest regulated in the world."¹

Foreign Investment in Brazil in a Nutshell

- Foreign direct investment must be registered with the Central Bank of Brazil (online registration available).
- Cash investments do not require any prior official authorization.
- There are no restrictions on the distribution or remittance of profits abroad.
- Foreign capital registered with the Central Bank may be repatriated at any time without prior authorization.
- The portion of the international remittance that exceeds the foreign capital invested is treated as capital gain and subject to a 15% withholding income tax. Central Bank authorization is required.

(Footnotes)

¹ Country Governance Study, Standard & Poor's (March 2009), p. 3.

- Participation of foreign capital is prohibited only in the following activities: nuclear energy, health services, post office and telegraph services, and the aerospace industry. Foreign technical and other services in these fields are permitted and welcome.
- Rural land acquisition by foreigners is not prohibited but is subject to some restrictions. The same applies to the acquisition of real property in frontier areas, investment in or purchase of financial institutions, and in the ownership and management of newspaper, magazines, and other periodicals.
- There is an investment guaranty agreement between Brazil and the U.S. and Brazil has become an active and supportive nation regarding international arbitration – which provides a neutral and non-political forum for resolving commercial and investment disputes.

III. Exploring Next Steps

If opportunities listed above might be of interest to you or your company, we would expect you to appraise your capabilities, including the resources you have available to gain a practical understanding of the culture, the language, and the political and legal environment of Brazil.

Porter Wright is planning a half-day seminar, including participation by Brazilian government representatives, which will allow a more in-depth presentation of some of these opportunities as well as valuable information on conducting business and foreign investment in Brazil. If you or others in your organization would be interested in attending this program, please e-mail Renata Vasconcellos at rvasconcellos@porterwright.com. Once particulars are in place, we will contact you via e-mail with more information about the program.

Note: We thank Paulo Rage, a partner at the Brazilian law firm of TOR Advogados e Consultores and Government Relations trainee at the Brazilian Embassy in Washington D.C., for collaborating with us on this client alert.