

## BRAZIL

### Business Conditions Snapshot

- Brazil's size and diversity continue to make it a compelling case for trade and investment partners.
- Brazil is the world's ninth largest economy by GDP, fifth largest by population, eighth largest consumer market, and was the fourth largest FDI destination in 2019.
- The health and economic impacts of COVID-19 in Brazil have been substantial, though the Brazilian government's fiscal response has averted the worst of the pandemic's economic impacts to date.
- Early signs of recovery are promising, with the industrial and retail sectors experiencing strong v-shaped returns to pre-COVID activity levels. The government is forecasting a smaller than expected contraction of 4.5 per cent in 2020 and the International Monetary Fund is estimating a partial recovery to 2.8 per cent growth in 2021. A possible second wave of COVID-19 infections remains a downside risk.
- While some momentum has been lost in 2020 due to COVID-19, progress on the government's economic reform agenda (fiscal consolidation, administrative reform, deregulation, tax reform, trade liberalisation, privatisation and infrastructure investment) remains important for Brazil's medium-term recovery prospects. Key sanitation sector reforms were passed in 2020 and further reforms related to the energy sector, cabotage, environmental licencing, infrastructure bonds, the public sector, taxation and privatisation are before the Brazilian Congress.

#### Key facts and figures

- Population: 208.5m (2018)
- GDP growth: 1.2 per cent (2019)
- GDP per capita: US\$8,796.9
- Political system: Federal presidential constitutional republic
- Two-way trade: A\$3,497m (2018–19)
- Exports: coal, aluminium, insecticides & herbicides, travel
- Imports: civil engineering equipment, medicaments, coffee, pulp and paper, travel.
- Two-way investment: A\$11,402m (2018–19)

### Trade and Investment Opportunities

- Brazil is Australia's largest export market in Latin America by a significant margin.
  - More than half of Australia's foreign direct investment in Latin America is in Brazil, and it remains Australia's fourth largest source of international students (2019).
  - Brazil's world-class agribusiness sector (which accounts for around a quarter of Brazil's GDP) and growing energy, mining, innovation, technology and research sectors offer opportunities to expand bilateral trade and investment.



# MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- The Brazilian Government's ambitious privatisation and infrastructure programs offer specific investment options in a range of sectors including sanitation, transport, resources and energy.
  - Likewise, continued market deregulation and strong digital penetration provide opportunities in fintech, agtech, edutech and medtech, among others.
- Remote and distance learning is a driver of higher education growth in Brazil and has been given further prominence by the COVID-19 pandemic.
- The scale of Brazil's food and beverage industry (2019 turnover was US\$140 billion; more than US\$4.4 billion in imported products) offers openings for niche Australian products across the processed and packaged food supply chains.
  - In 2019 Brazil imported US\$13.8 billion in agricultural commodities.
  - This is providing opportunities for Australian grains, dairy products, seafood, edible oils, wine and seeds for propagation (subject to negotiation of import conditions to support trade).
- More than 75 Australian firms are doing business in a wide range of sectors in Brazil, including advanced manufacturing (Ampcor, Noja), agribusiness (Macquarie), engineering services (Worley), financial services (Macquarie, Stake), logistics (Goodman, Chep), mining (South32, Alumina, BHP, OzMinerals, Meteoric Resources, FMG, Tombador Iron, Jervois Mining, Aguiá Resources), oil and gas (Karoon Gas), online services (carsales.com, Seek), plasma products and vaccines (CSL), and retail clothing (CottonOn, Billabong, Rip Curl).
  - Brazilian companies continue to expand operations and invest in Australia, in part to benefit from Australia's extensive FTA network in Asia.
- Fertilizer product manufacturer, Spraytec; renewable energy company, Grupo Energia; and digital service provider CI&T all established a presence in Australia in 2020.
- Minerva Foods has announced that it intends to invest in sheep meat processing facilities in Western Australia.
- Meat processing company, JBS, remains the largest Brazilian investor in Australia.
- Other Brazilian companies with an Australian presence include:
  - Natura, a leading Brazilian cosmetics company which owns luxury Australian skincare company Aesop
  - Marco Polo which owns Australian bus manufacturer Volgren.
- Brazilians now form the largest migrant group from Latin America resident in Australia.
  - Australia had an estimated 46,450 Brazilian-born residents in 2018 – an increase of over 800 per cent since 2001.



Australian Government

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- Key trade events in Brazil include AgriShow, ExpoZebu, Showrural, Expodireto (agriculture); Exposibram, Rio Oil & Gas (resources); FPP/Study in Australia Fair, FAUBAI Conference, BETT Educar (education).

## Trade Policy Focus

- Brazil is a member of the Mercosur trade bloc along with Argentina, Paraguay and Uruguay. The four countries negotiate free trade agreements as a bloc.
  - In-principle Mercosur FTAs were finalised in 2019 with the EU and the European Free Trade Association (EFTA) but are yet to be ratified.
  - Mercosur FTA negotiations continue with Canada, Singapore and South Korea.
- Exploratory trade talks are ongoing with a range of other countries including India, Indonesia, Japan and Vietnam, alongside intra-Mercosur talks on tariff reductions.
- In 2020 Brazil and the United States concluded a protocol updating the Brazil–US Agreement on Trade and Economic Cooperation to include trade facilitation, customs administration, regulatory practices and anti-corruption.
- Australia and Brazil share a deep commitment to the multilateral, rules-based trade and economic order, although our priorities may differ in some areas.
- The Australian Government works closely with Brazil to advance our shared interests in the WTO, particularly on agriculture through the Cairns Group, and in the G20. Australia strongly supports Brazil's bid for OECD accession.
- Brazil does not have an FTA with Australia.
- Australia continues to engage with Brazil through the Australia–New Zealand Closer Economic Relations (CER) Mercosur dialogue and bilaterally to strengthen trade and investment ties. Australian and Brazilian businesses consider a double taxation agreement to be a priority for enhancing their engagement.

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