

Political & Economic Environment

A FAVORABLE ECONOMIC, POLITICAL AND LEGAL ENVIRONMENT

Covering 8.5 million square kilometers, almost double the size of the European Union, Brazil has the fifth-largest population in the world and massive reserves of natural resources (such as iron ore and oil). With over 300 million hectares of agricultural land in privileged geographical conditions, its territory is also safe from natural disasters. Factors such as these put the country in a relevant position on the global market.

Recent economic growth confirms this positive outlook. From 2002 to 2009, real GDP in US dollars almost doubled, going from US\$ 724 billion to US\$ 1.5 trillion, with constant growth from 2004 onwards. Brazil is today the tenth-largest economy in the world, ahead of Russia and India, and the largest in Latin America. The country was classified by the United Nations Development Program (UNDP) as having a high Human Development Index (HDI), ahead of the other BRIC countries (Russia, India and China).

Brazil is an important player in global markets such as mining, aerospace, energy, agriculture and cattle farming.

DOMESTIC MARKET SHOWS CONSISTENT GROWTH

With a population of 192 million people, Brazil's domestic market is expanding as a result of economic growth and income distribution policies. Household consumption has grown vigorously over the last few years, reaching US\$ 236 billion in 2009.

This expansion has been influenced by gains in the lowest income bracket. Between 2004 and 2009, according to a survey carried out by Fundação Getúlio Vargas (FGV), the Brazilian middle class grew from 42.99% to 53.58% of the population, while the low income segment fell from 46.39% to 30.79%. Already the upper class has increased by 10.66% to 15.63% during this period.

This positive scenario was recognized by credit rating agencies Standard & Poor's and Fitch, which in the first half of 2008 classified Brazil as "investment grade". According

to the analysts, this reflects a continuing trend in its economic policy, focused on inflation control and in a floating foreign exchange rate system, low external debt and a public debt profile in line with that of other countries with a similar risk classification.

This progress has attracted foreign direct investments, which more than doubled from US\$ 17 billion in 2005 to US\$ 45 billion in 2008, the highest value since the Central Bank of Brazil began tracking this indicator.

Brazil has commercial partnerships with countries on every continent. China, Europe and the United States, along with South America and Japan, are among the main commercial partners and are helping boost Brazilian trade. According to the Ministry of Development, Industry and Trade, exports and imports tripled between 2002 and 2008, from US\$ 108.9 billion to US\$ 371.1 billion.

The democratic system, political stability and consolidated institutions also position Brazil as one of the safest destinations for investments. With the status of a political leader in Latin America, and with good relations with neighboring countries, the country has not been involved in a war since World War II.

Since the 19th century, Brazilian foreign policy has aimed to increase the country's international presence, following the principles of commercial collaboration. Brazil currently has an embassy in 74 countries.

The Brazilian political system is Federative (26 states make up the Federation) and the presidential mandate is four years, renewable for another four.

INTELLECTUAL PROPERTY

Brazil has an advanced legal framework regarding the defense of intellectual property. Since 1970 there has been an agency (INPI) regulating and supervising intellectual property rights and since the 1990s there has been a national council to fight piracy.

Software is protected by law for 50 years (during which time a license is required from the owner

in order to offer technical assistance) and confidential information is protected. Copyright infringement is punishable by imprisonment and victim compensation for any eventual damage. Brazil is also a signatory of the Berne Convention, the Patent Cooperation Treaty (PCT), the Paris Convention, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).