

Brazil

RISK & COMPLIANCE REPORT

DATE: February 2017

JERSEY TRUST COMPANY

Executive Summary - Brazil	
Sanctions:	None
FATF list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions Serious deficiencies identified in the enacting of counter terrorist financing legislation
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus; beef</p> <p>Industries: textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles and parts, other machinery and equipment</p> <p>Exports - commodities: transport equipment, iron ore, soybeans, footwear, coffee, autos</p> <p>Exports - partners: China 17%, US 11.1%, Argentina 7.4%, Netherlands 6.2% (2012)</p> <p>Imports - commodities: machinery, electrical and transport equipment, chemical products, oil, automotive parts, electronics</p> <p>Imports - partners: China 15.4%, US 14.7%, Argentina 7.4%, Germany 6.4%, South Korea 4.1% (2012)</p>	

Investment Restrictions:

There are laws that restrict foreign ownership within some sectors, notably aviation, insurance, and media.

Foreign investment restrictions remain in a limited number of other sectors, including highway freight (20 percent) and mining of radioactive ore

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Section 1 - Background

Following more than three centuries under Portuguese rule, Brazil gained its independence in 1822, maintaining a monarchical system of government until the abolition of slavery in 1888 and the subsequent proclamation of a republic by the military in 1889. Brazilian coffee exporters politically dominated the country until populist leader Getulio VARGAS rose to power in 1930. By far the largest and most populous country in South America, Brazil underwent more than a half century of populist and military government until 1985, when the military regime peacefully ceded power to civilian rulers. Brazil continues to pursue industrial and agricultural growth and development of its interior. Exploiting vast natural resources and a large labor pool, it is today South America's leading economic power and a regional leader, one of the first in the area to begin an economic recovery. Highly unequal income distribution and crime remain pressing problems.



FATF List of Countries that have been identified as having strategic AML deficiencies

Statement on Brazil's progress in addressing the deficiencies identified in its mutual evaluation reports, since the FATF's statement of October 2016

In February 2016, the Financial Action Task Force (FATF), the international standard-setter for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction, released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. The FATF called for actions to address those deficiencies. The FATF reiterated its concern in October 2016, and again called on Brazil to address these shortcomings.

The FATF recognises that Brazil has taken several significant steps to improve its CFT regime; however deficiencies remain regarding targeted financial sanctions.

The FATF calls on Brazil to fulfil its FATF membership commitment by taking actions that fully address these shortcomings.

Statement – October 2016

In February 2016, the Financial Action Task Force (FATF), the international standard-setter for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction, released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010. Brazil had not criminalised terrorist financing since 2004, when Brazil's second mutual evaluation report was adopted. And while the FATF welcomed progress by Brazil on the freezing of terrorist assets, further improvements were required to fully satisfy the FATF standards. The FATF called on Brazil to fulfil its FATF membership commitment by enacting counter terrorist financing legislation that would adequately address these shortcomings in line with the FATF Recommendations. If adequate legislation was not enacted by the June 2016 FATF Plenary, the FATF would have considered the next steps in the follow-up process.

On 16 March 2016, Law 13.260 was enacted to criminalise terrorism and terrorist financing^[1] and "deal with investigative and procedural provisions and to reformulate the concept of a terrorist organization" and which covered most of the elements of former SR.II, thereby addressing that Recommendation sufficiently (with minor deficiencies). The FATF welcomed that important development and decided not to consider the next steps in the follow-up process.

Since June 2016, Brazil has taken additional steps towards improving its counter-terrorism (CFT) regime by preparing several ordinances which would in principle contribute to fully implementing UNSCRs 1267 and 1373. These however, are yet to be enacted.

There still remain a number of shortcomings that Brazil must address in order to reach a satisfactory level of compliance with the FATF standards. If sufficient progress is not made by

February 2017, the FATF will consider taking other measures, including issuing another Public Statement.

[1] Among the provisions included in the new law, article 5, paragraph 1 establishes penalties to the agents, who with the purpose of practicing acts of terrorism, recruit, organize, carry or equip individuals traveling to a country other than that of their residence or nationality. This is an important provision in line with UNSCR 2178 (2014).

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Brazil was undertaken by the Financial Action Task Force (FATF) in 2010. According to that Evaluation, Brazil was deemed Compliant for 3 and Largely Compliant for 21 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 3 of the 6 Core Recommendations.

FATF Statement on Brazil's considerable progress in addressing the serious deficiencies identified in its mutual evaluation reports, and the important issues that remain unresolved (June 24 2016)

In February 2016, the Financial Action Task Force (FATF), the international standard-setter for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction, released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010. Brazil had not criminalised terrorist financing since 2004 when Brazil's second mutual evaluation report was adopted. And while the FATF welcomed progress by Brazil on the freezing of terrorist assets, further improvements were required to fully satisfy the FATF standards. The FATF called on Brazil to fulfil its FATF membership commitment by enacting counter terrorist financing legislation that would adequately address these shortcomings in line with the FATF Recommendations. If adequate legislation would not be enacted by this FATF Plenary, the FATF would consider the next steps in the follow-up process.

Since February 2016, Brazil has taken significant steps towards improving its counter-terrorism (CFT) regime by enacting a law on the criminalisation of terrorist financing. The FATF welcomes this significant step made by Brazil, which improves the country's compliance with the international standards. As a consequence, the FATF has decided not to consider the next steps in the follow-up process.

In spite of this positive step, there still remain a number of shortcomings in the Brazilian counter-terrorist financing regime. Brazil must address these shortcomings in order to reach a satisfactory level of compliance with the FATF standards.

FATF Statement on Brazil's continued failure to address the serious deficiencies identified in its mutual evaluation reports (19 February 2016).

The FATF is deeply concerned by Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010. Brazil has not criminalised terrorist financing since 2004 when Brazil's second mutual evaluation report was adopted. While we welcome progress by Brazil on the freezing of terrorist assets, further improvements are required to fully satisfy the FATF standards.

The FATF now calls on Brazil to fulfil its FATF membership commitment by enacting counter terrorist financing legislation that adequately addresses these shortcomings in line with the FATF Recommendations. If adequate legislation has not been enacted by the next FATF Plenary (20 June 2016), the FATF will consider the next steps in the follow-up process.

Key Findings from latest Mutual Evaluation Report (2010):

Brazil, which is a member of both the FATF and the Grupo de Acción Financiera de Sudamérica (GAFISUD), has developed a coherent AML/CFT strategy, the National Strategy Against Corruption and Money Laundering (ENCCLA), which has enabled it to make systematic progress to enhance its implementation of AML/CFT measures. An important outcome of this strategy is a Bill to amend Federal Law 9613/1998 (the AML Law) and criminalise terrorist financing. This Bill has been approved by the Senate and is currently under consideration in the House of Representatives.

Brazil has significantly enhanced its ability to prosecute money laundering (ML) offences by implementing a system of Specialised Federal Courts which bring together federal prosecutors and judges specialised and with experience in handling cases involving ML and other financial crimes. The main sources of proceeds of crime in Brazil are corruption and crimes against the national financial system, including fraud and capital flight. Drug trafficking, weapons trafficking, organised crime, smuggling and embezzlement of governmental money are also important sources of illegal proceeds.

The ML risks are higher in relation to the border areas and the informal economy. The banking sector is perceived to face greater ML risk in the business areas of foreign exchange and private banking. ML risk has been detected in the securities sector through the use of a broker to deposit funds and conduct stock market transactions. In the insurance sector, accumulation, life and pension/retirement products are perceived as being the most vulnerable to ML. Some cases of illicit drugs being exchanged for precious stones have been detected, although this is uncommon, as profit margins for precious stones sold on the open market are relatively low because most of the precious stone trade conducted in Brazil is carried out on the wholesale export market and the retail market is residual.. No ML cases have been detected in the closed pension funds sector.

The government of Brazil has been working to mitigate the risk of terrorist financing (FT) in its territory. Such work has been carried out in close co-operation with other interested governments and allows to keep under strict surveillance all activities considered to be of

higher risk. Initiatives such as regional intelligence structures, joint operations and exchange of information, among others, are used to identify, prevent and disrupt activities that could be related to terrorism and its financing.

The ML offence is largely in line with international requirements; however, overall the number of final sentences and convictions is low, given the size of the country and the sophistication of its financial system. Brazil has not criminalised terrorist financing as a stand-alone offence in a manner that is consistent with the international requirements. Since 2004, Brazil has pursued a strategy of enhancing its systems for applying provisional measures and confiscation. Overall, the statistics show a sufficient number of seizures, but a relatively low number of confiscations.

Brazil has effective mechanisms to facilitate policy and operational co-operation at the domestic level, particularly through the ENCCLA mechanism. Systems for providing mutual legal assistance are not impacted by deficiencies in the criminalisation of terrorist financing because Brazil can provide MLA in the absence of dual criminality and has demonstrated its ability to do so in practice. Money laundering is an extraditable offence. However, deficiencies in the criminalisation of FT impede Brazil's ability to extradite (or prosecute its own nationals) in such cases, as dual criminality is required.

Preventative measures apply to all financial institutions, dealers in precious metals and stones, and real estate agents who are legal persons. However, the extent to which such measures are elaborated is much less robust outside of the banking (including money remittance and foreign exchange), securities and insurance sectors. All financial institutions are subject to comprehensive requirements to identify politically exposed persons (PEPs), keep records and report suspicious transactions. Banking, securities and insurance institutions are required to identify beneficial owners. Breaches of the AML/CFT requirements are punishable by a full range of sanctions.

Key recommendations made to Brazil include: criminalise FT in a manner consistent with the international requirements; continue to support the Specialised Federal Courts and other measures to enhance the ability to apply final sanctions for ML; extend corporate civil or administrative liability to legal persons who commit ML/FT; ensure that confiscation is systematically pursued; implement effective laws and procedures to take freezing action pursuant to the relevant United Nations Security Council Resolutions (UNSCRs); broaden the obligation to declare physical cross-border transportations of currency and bearer negotiable instruments (BNI); enhance supervisory powers and resources in some areas; increase supervision of non-bank financial institutions; and extend AML/CFT requirements to all categories of designated non-financial businesses and professions (DNFBP).

Brazil was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

In 2015, Brazil was the second-largest economy in the Americas and among the ten largest economies in the world, by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. São Paulo, Brazil's largest city, is considered a regional financial center for Latin America. Money laundering in Brazil is primarily related to domestic crimes, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband and counterfeit goods. Money laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

São Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to São Paulo and the TBA, other areas of the country continue to be of concern. The Government of Brazil and local officials in the states of Mato Grosso do Sul and Paraná, for example, report increased involvement by Rio de Janeiro and São Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

Brazil has four free trade zones/ports (FTZs). The government provides tax benefits in certain FTZs, which are located to attract investment to the country's relatively underdeveloped North and Northeast regions.

Do FINANCIAL INSTITUTIONS engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: NO ***civilly:*** NO

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

KYC covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 251,234: January 1 - October 31, 2015

Number of CTRs received and time frame: 860,802: January 1 - October 31, 2015

STR covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Brazil is a member of the FATF and the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body.

Enforcement and implementation issues and comments:

On October 16, 2015, President Rousseff signed Law #13.170 which provides procedures for freezing assets relating to UNSCRs and for information provided bilaterally, closing a longstanding gap in Brazil's ability to confront terrorist financing. Terrorism and terrorist financing are still not criminalized in a manner consistent with international standards; a bill has been pending before Congress for several months.

In March 2014, money laundering at a gas station tipped off Brazilian law enforcement to a connection with the parastatal oil company, Petrobras. Since then, "Operation Carwash" (*Lava Jato*) has uncovered a complicated web of corruption, money laundering, and tax evasion, leading to the arrests of money launderers, Petrobras directors, and major construction company executives. Many Brazilian politicians are also under investigation. The landmark operation continues to uncover what many believe is already the biggest corruption scandal in Brazilian history.

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. This lack of data makes it difficult to evaluate the effectiveness of Brazil's AML/CFT regime.

The Government of Brazil continues to invest in border and law enforcement infrastructure. Brazilian Customs and the Brazilian Tax Authority continue to take action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

Some high-priced goods in the TBA are paid for in U.S. dollars, and cross-border bulk cash smuggling is a concern. Large sums of U.S. dollars generated from licit and suspected illicit

commercial activity are transported physically from Paraguay into Brazil. From there, the money may make its way to banking centers in the United States. However, Brazil maintains some control of capital flows and requires disclosure of the ownership of corporations.

Brazil's Trade Transparency Unit, in partnership with U.S. Immigration and Customs Enforcement, analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between the two countries. As a result of data comparison, the government identified millions of dollars of lost revenue.

Brazil should pass legislation to fix the gap in its legal framework regarding the criminalization of terrorist financing. The government also should maintain and release statistical data regarding the volume of money laundering prosecutions and convictions.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Brazil does not conform with regard to the following government legislation: -

- **Ability to freeze assets without delay:** The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- **Criminalised Financing of Terrorism:** The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.

EU White list of Equivalent Jurisdictions

Brazil is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Brazil is not considered to be an Offshore Financial Centre

Narcotics

Brazil is a major transit and destination country for cocaine. Its border with Colombia, Peru, Bolivia, and Paraguay is porous and over three times the length of the U.S. border with Mexico. The majority of cocaine transiting Brazil is destined for European markets, often via West Africa. The Brazilian drug trade is controlled by large, violent, and well-organized drug trafficking organizations operating throughout the country. Brazil suffers from a substantial and growing domestic drug consumption problem. It is the world's second-largest consumer of cocaine hydrochloride and likely the largest consumer of cocaine in its base form. The Government of Brazil recognizes the gravity of the illicit drugs issue and is committed to combating drug trafficking but does not have the institutional capacity to stem the flow of illegal drugs across its borders.

In 2015, Brazil faced both an economic recession and a fiscal short-fall, which are likely to result in budget cuts across government agencies in 2016, including at the enforcement and social welfare agencies that address drug flow and abuse.

Corruption

As a matter of government policy, Brazil does not encourage or facilitate illegal activity associated with drug trafficking, and there has been no evidence to suggest that senior government officials are engaged in such activity.

Trafficking in Persons

Brazil is classified a Tier 2 country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Brazil is a large source and destination country for men, women, and children subjected to sex trafficking and forced labor. Brazilian women and children are exploited in sex trafficking within the country, and federal police report higher rates of child prostitution in the north and northeast regions. Brazilian women are found in sex trafficking abroad, often in Western Europe or neighboring countries such as Suriname, but also as far away as Japan. To a lesser extent, women from neighboring countries, including Paraguay, are exploited in sex trafficking in Brazil. Transgender Brazilians are forced into prostitution within the country, and Brazilian men and transgender Brazilians have been exploited in sex trafficking in Spain and Italy. Child sex tourism remains a problem, particularly in resort and coastal areas in Brazil's northeast. Child sex tourists typically arrive from Europe and, to a lesser extent, North America.

Under Brazilian law, the term *trabalho escravo*, or slave labor, is defined as forced labor or labor performed during exhausting work days or in degrading working conditions. While not all individuals identified as working in *trabalho escravo* are forced labor victims, one study

noted that 60 percent of workers interviewed in rural trabalho escravo cases had experienced key indicators of forced labor, and numerous cases involving debt bondage were identified during the year. Some Brazilian men, and to lesser extent women and children, are subjected to trabalho escravo in rural areas, often on cattle ranches, charcoal production camps, and sugar-cane plantations, as well as in logging, mining, and agriculture. There is a correlation between trabalho escravo and environmental degradation and deforestation-related activities, particularly in the Amazon region. Brazilians in trabalho escravo have also been identified in urban areas, primarily in construction, as well as in factories and the restaurant and hospitality industries. For the first time, in 2013 Brazilian authorities identified more individuals in trabalho escravo in urban areas than in rural areas. Labor inspectors have identified trabalho escravo used by sub-contractors constructing subsidized housing for a government program. Brazil is a destination for men, women, and children from other countries, principally Bolivia, Paraguay, Peru, Haiti, and China, exploited in forced labor and debt bondage in a variety of sectors. These sectors include construction; the textile industry in metropolitan centers, particularly Sao Paulo; and small businesses in different parts of the country.

Many Brazilian women and children, as well as girls from other countries in the region, are exploited in domestic servitude, particularly in the northeast and in the interior of the country. Child domestic servitude is rarely identified, although a recent census estimates indicate that more than 250,000 children—some of whom are trafficking victims—are employed as domestic workers in Brazil. In some cases, traffickers informally adopt girls to work in homes without remuneration. Some Brazilian men, women, and children who are trafficking victims are forced by their traffickers to engage in criminal activity within the country and in neighboring countries, including drug trafficking. Brazilian forced labor victims have been identified in other countries, including Spain, Italy, and the United States.

The Government of Brazil does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Brazilian authorities increased the number of criminal investigations against potential labor trafficking offenders and upheld convictions against at least five labor traffickers and seven sex traffickers. The government continued a variety of awareness-raising efforts at the federal, state, and local level. Brazilian law defines trafficking as a movement-based crime and statutes prohibiting trafficking do not align with international law, making it difficult to assess fully government efforts. Most cases took many years to move from investigations to final convictions in the slow-moving judicial system, and some sex and labor traffickers whose initial convictions were upheld in 2013 served sentences by paying fines, completing community service, or living under house arrest. There were some cases of government officials who were investigated in 2013 for complicity in trafficking-related crimes. The government did not fund specialized services or shelters for sex and labor trafficking victims, and it was unclear how many victims received services during the year. Only one state out of 26 provided job training and reintegration services for labor trafficking victims.

Terrorist Financing 2015:

Overview: The Brazilian government continued to support counterterrorism activities, which included third-country technical assistance for controlling sensitive technologies, assessing

and mitigating potential terrorist threats in advance of major events, and investigating fraudulent travel documents. Operationally, Brazilian security forces worked with U.S. officials to pursue investigative leads provided by United States and other intelligence services, law enforcement, and financial agencies regarding terrorist suspects.

The Brazilian Federal Police (DPF) – Brazil’s lead counterterrorism agency – worked closely with the U.S. government and other nations’ law enforcement entities to assess and mitigate potential terrorist threats, especially leading up to the 2016 Summer Olympics in Rio de Janeiro. Cooperation was strong and continuous, particularly dealing with crisis management, emergency response, and planning exercises to build response capacity in case of a terrorist attack. The DPF Anti-Terrorism Division was created specifically to address threats of radicalization and to counter violent extremism.

Brazil continued to implement its 2013 policy on provision of humanitarian assistance for Syria, including the issuance of more refugee visas to Syrians than any other country in Latin America. President Dilma Rousseff strongly condemned the November 13 attacks in Paris, calling for “coordinated action” by the international community against ISIL. Some commentators contrasted this pronouncement with her 2014 U.N. General Assembly speech criticizing the approach in Iraq and Syria. Asked about the potential terrorist threat posed to the 2016 Summer Olympics, Rousseff reiterated that Brazil is an unlikely target but called for comprehensive counterterrorism legislation, then pending before Congress, to be passed quickly.

Legislation, Law Enforcement, and Border Security: Brazil’s 1980 National Security Law criminalizes “terrorist acts” but does not clearly define terrorism, which hinders prosecution of potential terrorists and other counterterrorism efforts. On February 24, Congress passed a bill (PLC 101/2015) that will criminalize both terrorism and terrorism financing. The bill has the President’s support.

Brazil has three law enforcement agencies with counterterrorism responsibilities, ranging from the investigation of terrorism to interdiction and response. The lead counterterrorism agency, with responsibility for investigating any terrorist-related threats or groups, is the Brazilian Federal Police’s Anti-Terrorism Division (DPF DAT). In addition, the state-level Military Police Departments, through their respective Police Special Operations Battalions (BOPE), and the state-level Civil Police Departments, through their respective Divisions of Special Operations (DOE), also work on counterterrorism issues. Brazil’s Intelligence Agency (ABIN) also monitors terrorist threats. Coordination between civilian security and law enforcement agencies and the Brazilian military is hindered by inter-service rivalries; interagency cooperation and coordination would benefit from consolidated and automatic information sharing.

All of Brazil’s law enforcement agencies with counterterrorism responsibilities have benefitted from U.S. capacity-building training. In 2015, the U.S. Department of State’s Antiterrorism Assistance (ATA) program delivered courses to security and law enforcement personnel covering topics such as Critical Incident Management, Airport Security Management, and Fraudulent Document Recognition – all with the goal of enhancing investigative capabilities, building border security capabilities, and supporting Brazil’s efforts to prevent terrorist attacks at the 2016 Summer Olympics. Training courses had the added benefit of bringing together disparate agencies, which enhanced Brazilian interagency communication.

Brazilian authorities continued to work with other concerned nations – particularly the United States – in combating document fraud. Since 2009, multiple regional and international joint operations successfully disrupted a number of document vendors and facilitators, as well as related human-smuggling networks. The Department of State provided comprehensive and ongoing anti-fraud training to airline and border police units through its Investigations Program (ARSO-I). Since program inception in 2008, ARSO-I has trained thousands of airline personnel and Brazilian Immigration officials at virtually every international port of entry. In addition, since 2008 DHS Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI), and Customs and Border Protection (CBP) have trained Brazilian airline employees on identifying fraudulent documents.

The U.S.-Brazil Container Security Initiative (CSI) in Santos, which began in 2005, continued to operate throughout 2015. The CSI promotes secure containerized cargo – shipped to the United States – by co-locating DHS CBP personnel overseas with Brazilian customs administrators, to target, detect, and inspect high-risk cargo while facilitating the movement of legitimate trade. CBP's International Affairs and Field Operations Offices conduct joint workshops with Brazil to bolster supply chain security and port security. Similarly, the National Civil Aviation Agency, DPF, and Brazilian Customs (RFB) continued to work with DHS' Transportation Security Administration (TSA) to make modifications to Brazil's National Cargo Security Program (NCSP) to gain TSA recognition of commensurability for cargo security procedures, training, and operations at Brazil's international airports.

Brazil shares vast international borders with 10 different countries. Many of its borders – especially those with Argentina, Colombia, Paraguay, Uruguay, and Venezuela – are porous. Illegal immigration to Brazil is a growing problem, with Brazil often serving as a country-of-transit for final destination in the United States. Brazilian states maintain individual criminal records databases, and information sharing is unwieldy. Biometric information is not collected from visitors. A 2013 law requires the collection of Passenger Name Record data, and it is being gradually implemented. Brazil does not maintain its own terrorist watchlist, though it collaborates with other nations.

In a high-profile December case, Rio de Janeiro's Civil Police unit uncovered a fraudulent document ring that had provided authentic Brazilian birth certificates to 70 Syrian nationals, at least 20 of whom subsequently obtained Brazilian passports. U.S. Mission Brazil is cooperating with the Brazilian authorities in its investigation.

The Brazilian Army continues to implement an Integrated Border Monitoring System to monitor the country's borders using a combination of soldiers, cameras, sensors, and satellites. The strategic initiative is underway in the state of Mato Grosso do Sul as a preliminary pilot project, with intention to cover the entire Brazilian border by 2021.

Pending comprehensive counterterrorism legislation is intended to help Brazil address the threat posed by foreign terrorist fighters, through implementation of UN Security Council Resolutions (UNSCRs) 2170, 2178, 2199 and the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime.

In September 2015, the DPF's Operation Mendacity arrested members of a money laundering group accused of illegally moving more than \$10 million in the last five years. Press

reports state the group had social media ties to the Islamic State and were potentially financing terrorist activities.

The DPF and the justice system face resource constraints when enforcing immigration law and supervising airport security.

Countering the Financing of Terrorism: Brazil is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force of Latin America, a FATF-style regional body (FSRB). Its financial intelligence unit, the Council for Financial Activities Control (COAF), is a member of the Egmont Group. Brazil monitors domestic financial operations and uses the COAF to identify possible funding sources for terrorist groups.

On October 16, President Rousseff signed Law #13.170, which provides procedures for freezing assets relating to UNSCRs and for information provided through bilateral cooperation, closing a longstanding gap in Brazil's ability to confront terrorism financing. Legislation (PLC 101/2015) to criminalize terrorism financing in a manner consistent with international standards, established by the FATF, has passed Congress and awaited President Rousseff's signature at the end of 2015.

Through the COAF, which is a largely independent entity within the Finance Ministry, Brazil has implemented the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime, but it has not reported any assets, accounts, or property in the names of persons or entities. The Government of Brazil has generally responded to U.S. efforts to identify and block terrorist-related funds.

International and Regional Cooperation: Brazil participates in regional counterterrorism fora, including the OAS and its Inter-American Committee Against Terrorism (CICTE); the Union of South American Nations (Unasul); and the working group on terrorism and sub-working group on financial issues in the Southern Common Market (Mercosul).

Brazil is working with a range of international law enforcement partners in its security plan for the 2016 Summer Olympics, through two Centers for International Police Cooperation (CCPI) that will be stood up for the event. In Brasilia, the CCPI will include three foreign law enforcement officials for each of the 55 invited countries.

The Brazilian government continued to invest in border and law enforcement infrastructure and has undertaken initiatives with its neighboring countries to control the flow of goods – legal and illegal – through the Tri-Border Area of Brazil, Argentina, and Paraguay.

International Sanctions

Brazil is not currently subject to any International Sanctions

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	40
World Governance Indicator – Control of Corruption	41

US State Department

In 2013, Brazil ranked 72nd (out of 175 countries) in Transparency International's Corruption Perceptions Index. In South America, Brazil ranked behind Chile and Uruguay, and ranked ahead of Colombia, Peru, Argentina, Suriname, Bolivia, Ecuador, Guyana, Paraguay and Venezuela. With regard to major emerging economies in the BRICS grouping, Brazil ranked ahead of China (80th), India (94th), and Russia (127th), and tied with South Africa (72nd).

Corruption scandals are a regular feature of Brazilian political life. Politics for the past two years have been shaken by Penal Case 470, more commonly known as the "Mensalão" case, under which defendants, including some past and present members of the Brazilian Congress, were found guilty of participating in a pay-for-votes scheme. A former president of the Chamber of Deputies, former President Lula's chief of staff, and 24 other current and former public officials were convicted in the highly-followed trial, which was viewed as a positive step in the fight against corruption.

Brazil is a signatory to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention and a participating member of the OECD Working Group on bribery. It was one of the founders, along with the United States, of the intergovernmental Open Government Partnership, which seeks to help governments increase transparency. Brazil has laws, regulations and penalties to combat corruption, but their effectiveness is inconsistent. Bribery is illegal, and a bribe by a local company to a foreign official is a criminal act. A company cannot deduct a bribe to a foreign official from its taxes. While federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states. Corruption has been reported to be problematic in business dealings with some authorities, particularly at the municipal level. U.S. companies operating in Brazil are subject to the U.S. Foreign Corrupt Practices Act.

Corruption - Global Security

Political Climate

Economic growth and openness to foreign investors coupled with a considerable upward social mobility over the past decade have made Brazil a major recipient of FDI among emerging markets. A stable political climate plays a positive role in fostering Brazil's impressive

economic progress. Such political stability is likely to continue as the Workers' Party (PT), after 8 years in power, secured a further presidential term in autumn 2010. Dilma Rousseff was a little known political figure before the 2010 election campaign started. However, after a number of scandals involving high-profile candidates from the PT in the years leading up to the elections, she was selected as the favoured candidate by her widely popular predecessor, Luiz Inacio Lula da Silva. Rousseff has continued along the same political lines as her predecessor, but has placed a greater emphasis on fighting corruption. Nevertheless, Brazil is still struggling with a political culture that most observers view as corrupt and favouring vested interests. Although laws and regulations against personal enrichment from public funds exist, Freedom House reports in *Countries at the Crossroads 2010* that the federal system of Brazil provides politicians and bureaucrats at regional and local levels with considerable discretionary power over the use of public funds. Oversight mechanisms at these levels are characterised by questionable efficiency, which has paved the way for frequently recurring cases of corruption and bribery involving high-level politicians and bureaucrats who, according to *Global Integrity 2009*, have traditionally been able to go unpunished for their crimes.

Although former President, Lula da Silva, openly declared war on corruption, his time in office witnessed several political scandals concerning money laundering, misuse of state funds and manipulation of large government contracts. The President generally relies on shifting majorities in a fragmented Congress to form cross-party coalitions, and this allegedly fuels the use of bribes as a means of securing political support. This was clearly illustrated in one of the largest political scandals in recent Brazilian history - the Mensalão ('monthly pay-off') scandal - in which politicians from parties allied to the government received bribes in return for their votes in Congress. The scandal came to light in 2005, as high-ranking members of the PT were accused of having paid around USD 13,000 monthly to opposition politicians and lawmakers throughout 2003 and 2004. The illegal payments were allegedly intended to buy support from the opposition so they would vote in line with the PT. Furthermore, the PT allegedly used illicit funds to finance the election campaigns of members and allies. Another and more recent high-profile case involved the Governor of the Federal District, Jose Roberto Arruda, and ten members of the district legislature, who were filmed taking kickbacks from companies seeking government works contracts (see highlights of the video here – in Portuguese). Arruda, who refused to give up his office despite the overwhelming evidence, was finally arrested in February 2010. According to several sources, including a February 2010 article by *The Economist*, the arrest of Arruda represents a positive exception to the rule, since politicians in Brazil are commonly - and often openly - able to commit acts of corruption without suffering any consequences. Furthermore, the Cabinet Chief, Antonio Palocci was forced to resign in June 2011 after only 23 days in the job. The *Folha de Sao Paulo* newspaper, cited in a June 2011 CNN News article, found that his wealth had grown 20 times during a period of four years whilst he was a lawmaker. This is the second time he has been forced to resign because of a corruption scandal. Rousseff has taken a firm stance against corruption, and since she took office in January 2011, a total of seven ministers have resigned due to various corruption scandals. However, according to an April 2012 article published *Al Jazeera*, none of the resigned ministers has been prosecuted. In October 2011, the Congress passed a comprehensive Freedom of Information Law, forcing authorities to publish information on spending and to respond to citizen requests for information. The law has been

well-received and is referred to as one of the world's most far-reaching freedom of information laws, as reported in a November 2011 article published by Reuters.

Most observers agree that corruption represents a major problem in Brazil and incurs high costs for the state and society in general and has strongly contributed to a reduction in public trust in the political system. For example, according to a December 2011 article by BBC News, it is estimated that Brazil loses about USD 45 billion to corruption every year. Evidence also suggests that citizens are frequent victims of corruption, with 23% of Brazilian households surveyed by the regional poll *Latinobarómetro 2011* (in Spanish) claim that bribes are needed when interacting with public officials. Moreover, 58% of the respondents believe that the greatest obstacle to democracy in Brazil is the failure to curb corruption. According to Transparency International's *Global Corruption Barometer 2010*, 64% of households believe that the level of corruption in Brazil had increased over the past three years. Moreover, 54% of respondents perceived Lula da Silva's government actions to curb corruption as ineffective. According to *Freedom House 2011*, the current legislature is widely seen as the most corrupt in the history of Brazil. This is supported by a July 2010 article by *The Economist*, which reports that 147 congressmen and 21 senators are facing criminal charges in the Supreme Court or are under investigation – most of them for misusing state funds or for violating campaign financing laws. One step in the right direction, however, was taken in June 2010, when Lula da Silva signed the *Ficha Limpa Law* ('clean record'). In February 2012 the Supreme Court ruled the law constitutional. A February 2012 article in *The Rio Times* notes that the law would be enforced for the upcoming municipal elections in October 2012. Under the law, a politician who has been convicted of a serious crime will be prohibited from running for political office at any level for eight years. According to many observers, this new law, if effectively enforced, may represent a very important step towards fighting political corruption in Brazil.

Business and Corruption

Brazil has long been open to and encouraged foreign investments, and is the top recipient of Foreign Direct Investment in Latin America. Moreover, according to the Bertelsmann Foundation 2012, Brazil has performed better than many other economies during the global financial crisis. Government policies advocate for both government participation in the economy and respect for the contractual rights of private investors. However, despite a formally well-functioning business environment, several studies indicate that corruption and bribery are serious obstacles for doing business in Brazil. For example, the *Enterprise Surveys 2009* by the World Bank & IFC reveals that almost 70% of the surveyed companies perceive corruption to be a 'major constraint' for doing business in Brazil. According to the World Economic Forum's *Global Competitiveness Report 2011-2012*, companies operating in Brazil give the likelihood of having to pay facilitation payments or bribes in relation to (a) imports and exports, (b) public utilities, (c) annual tax payments, (d) awarding of public contracts and licences and (e) obtaining favourable judicial decisions, an aggregate score of 4.1 (where 1 = 'very common' and 7 = 'never occurs'). According to the US Department of State 2011, corruption is particularly prevalent and problematic in business dealings with local-level governments. The risks primarily relate to public procurement and local levels of the judiciary.

In a CMI 2008 report, 27% of the responding companies reported that gifts or bribes had been required in their business operations, while 9% of these companies had also

experienced requests for money by an agent, adviser or a consultant, which most likely would be used for bribery. Companies should also note that the use of facilitation payments is a common way of circumventing time-consuming and complicated administrative burdens. For example, almost 12% of companies polled in the Enterprise Surveys 2009 expect to make informal payments to public officials to 'get things done'. While many of Brazil's corruption scandals that have occurred within the last decade have involved kickbacks paid by companies to politicians in return for government contracts or loans, one would also expect public procurement to be an area with high risk of corruption. Figures from the Global Competitiveness Report 2011-2012 show that business executives have stated that public funds are often diverted to companies, individuals or groups due to corruption, and that government officials often show favouritism when deciding upon policies and contracts. On the other hand, according to the Enterprise Surveys 2009, less than 1% of the polled companies expect to give gifts to get government contracts. Nonetheless, companies considering bidding for public contracts in Brazil are highly recommended to use a specialised due diligence tool on public procurement which will help reduce the risk of encountering corruption in a bidding process.

The high level of corruption and bribery in Brazil also leads to significant disadvantages for Brazilian companies when they attempt to operate abroad. Brazilian companies report that they carry with them a reputation of being corrupt, which makes it difficult for them to win the trust of partner companies and to raise international financing. Transparency International Bribe Payers Index 2011 ranks Brazilian companies 14th most likely never to pay bribes out of companies from 28 major exporting countries when doing business abroad. This is a marked improvement on the previous figure from the 2008 Survey.

Regulatory Environment

Brazil has a friendly environment for foreign investments and national treatment applies in principle to all foreign investors. Nevertheless, the regulatory environment can be very burdensome, and companies operating in Brazil have to deal with a wide range of regulatory agencies due to the federal structure of the political system. Public officials enjoy broad discretionary authority and the central government has historically exercised considerable control over private companies by upholding extensive and frequently changing regulations. According to a CMI 2008 report, the majority of responding companies found entry into Brazilian markets difficult and expensive, but promising if things were done right. The selection of capable business partners and agents was emphasised by the surveyed companies as very important in order to better navigate the Brazilian regulatory system and to reduce the risk of corruption, which is seen as particularly high during the entry period. The specific entry challenges referred to in the survey were primarily attributed to regulation and taxation, more so than to the challenge of getting contracts. In general, companies are advised to develop, implement and strengthen integrity systems and to carry out extensive due diligence before committing funds and when already doing business in Brazil.

According to the World Economic Forum Global Competitiveness Report 2011-2012, tax regulations and tax rates are mentioned as the two most problematic factors for doing business in Brazil, followed by an inadequate supply of infrastructure, restrictive labour regulations, inefficient government bureaucracy, inadequate educated workforce and

corruption. The World Bank & IFC Enterprise Surveys 2009 reveals that senior managers spend almost 19% of their time dealing with government regulations and that only 34% of companies agree that public officials interpret regulations consistently and predictably. The Bertelsmann Foundation 2010 reports that some states have simplified procedures for registering a business; however, it is still far more time consuming to register a business in Brazil than the regional average. According to the World Bank & IFC Doing Business 2012, starting a business in Brazil can take as long as 119 days and requires the entrepreneur to go through 13 administrative steps. Taxation is equally onerous, as a medium-sized company spends 2,600 hours a year on average to manage the administrative tasks related to tax payments, while the corresponding average for the region is 382 hours. The same studies also report that obtaining licences and permits are characterised by complicated bureaucratic procedures.

According to the Bertelsmann Foundation 2012, property rights are well defined and property acquisition is appropriately regulated. Brazil's intellectual property laws are mostly in conformity with international standards. Nevertheless, the US Department of State 2011 notes that piracy of copyright material is still a problem. The country has made efforts to improve its anti-piracy enforcement and in 2007, the US transferred Brazil from its 'Priority Watch List' to the 'Watch List'. The Brazilian judicial system is generally overburdened and it can take years until a final judgement is reached in contractual disputes. Arbitration clauses in contracts are not automatically enforceable and legal uncertainty and controversy exists over binding foreign arbitration between foreign investors and state entities. Brazil is a member of several international arbitration conventions, including the New York Convention of 1958, the Inter-American Convention on International Commercial Arbitration, and the Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards. Foreign investors are advised to consult the National Investment Information Network (RENAI), supported by the Ministry of Development, Industry and Foreign Trade, and BrazilGlobalNet, a trade portal run by the Ministry of External Relations. Both of these websites provide valuable information for foreign investors on relevant procedures and legislation as well as information on regions and business contacts. Access the Lexadin World Law Guide for a collection of legislation in Brazil.

Section 3 - Economy

Characterized by large and well-developed agricultural, mining, manufacturing, and service sectors, and a rapidly expanding middle class, Brazil's economy outweighs that of all other South American countries, and Brazil is expanding its presence in world markets. Since 2003, Brazil has steadily improved its macroeconomic stability, building up foreign reserves, and reducing its debt profile by shifting its debt burden toward real denominated and domestically held instruments. In 2008, Brazil became a net external creditor and two ratings agencies awarded investment grade status to its debt. After strong growth in 2007 and 2008, the onset of the global financial crisis hit Brazil in 2008. Brazil experienced two quarters of recession, as global demand for Brazil's commodity-based exports dwindled and external credit dried up. However, Brazil was one of the first emerging markets to begin a recovery. In 2010, consumer and investor confidence revived and GDP growth reached 7.5%, the highest growth rate in the past 25 years. Rising inflation led the authorities to take measures to cool the economy; these actions and the deteriorating international economic situation slowed growth in 2011-13. Unemployment is at historic lows and Brazil's traditionally high level of income inequality has declined for each of the last 14 years. Brazil's historically high interest rates have made it an attractive destination for foreign investors. Large capital inflows over the past several years have contributed to the appreciation of the currency, hurting the competitiveness of Brazilian manufacturing and leading the government to intervene in foreign exchange markets and raise taxes on some foreign capital inflows. President Dilma ROUSSEFF has retained the previous administration's commitment to inflation targeting by the central bank, a floating exchange rate, and fiscal restraint.

Agriculture - products:

coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus; beef

Industries:

textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles and parts, other machinery and equipment

Exports - commodities:

transport equipment, iron ore, soybeans, footwear, coffee, autos

Exports - partners:

China 17%, US 11.1%, Argentina 7.4%, Netherlands 6.2% (2012)

Imports - commodities:

machinery, electrical and transport equipment, chemical products, oil, automotive parts, electronics

Imports - partners:

China 15.4%, US 14.7%, Argentina 7.4%, Germany 6.4%, South Korea 4.1% (2012)

Executive Summary

Brazil is open to and encourages foreign direct investment (FDI). According to the United Nations Conference on Trade and Development (UNCTAD), Brazil was the sixth largest destination for global FDI flows in 2013. New FDI into Brazil reached approximately USD 64 billion in 2013 and Brazil typically receives close to half of South America's total incoming FDI. The United States is a major foreign investor in Brazil; according to the Central Bank of Brazil, the United States had the highest stock of FDI in Brazil as of 2010, with \$104 billion. While Brazil is generally considered a friendly environment for foreign investment, complex tax, local content, and regulatory requirements exist. In most cases, these impediments apply without discrimination to both foreign and domestic firms. The Government of Brazil (GOB) generally makes no distinction between foreign and national capital in cases of direct investment.

The Brazilian economy disappointed in 2013 with a meager 2.3 percent GDP growth, and market participants surveyed by the Central Bank of Brazil expect just 1.7 percent in 2014. Medium- and long-term prospects remain favorable, however, supported by strong domestic demand, global demand for commodity exports, a growing middle class, anticipated investments in infrastructure and development of offshore oil reserves, and prudent macroeconomic policies.

1. Openness To, and Restrictions Upon, Foreign Investment

FDI is prevalent across Brazil's economy, although certain sectors are subject to foreign ownership limitations. A 1995 constitutional amendment terminated the distinction between foreign and local capital in general, but there are laws that restrict foreign ownership within some sectors, notably aviation, insurance, and media.

Aviation: The Government of Brazil currently restricts foreign investment in domestic airline companies to a maximum of 20 percent. A bill in the Chamber of Deputies (PL6716) that would increase the ceiling to 49 percent has been pending since 2009.

On March 19, 2011, representatives from the U.S. and Brazilian governments signed an Air Transport Agreement that will lead to an Open Skies relationship between the United States and Brazil, eliminating numerical limits on passenger and cargo flights between the two countries. If it is approved by Brazil's Congress, the agreement will take effect in October 2015. Both parties also signed a Memorandum of Consultation (MOC) that incrementally increases flight limits in the meantime. For example, in October 2013, the maximum number of weekly passenger flights was increased by 42 flight frequencies for Brazilian airlines and 42 for U.S. airlines, including 14 frequencies that can be used in the São Paulo metropolitan area. At the same time, the maximum number of cargo flights allowed rose by 14 per week for each country's airlines. Additional increases will take effect in October 2014.

Insurance: U.S. companies wanting to enter Brazil's insurance and reinsurance market must establish a subsidiary, enter into a joint venture, or acquire or partner with a local company. Market entry for banks may occur on a case-by-case basis. The Brazilian reinsurance market was opened to competition in 2007. In December 2010 and March 2011, however, the Brazilian National Council on Private Insurance (CNSP) effectively rolled back market liberalization through the issuance of Resolutions 225 and 232, which disproportionately affect

foreign insurers operating in the Brazilian market. Resolution 225 requires that 40 percent of all reinsurance risk be placed with Brazilian companies. Resolution 232 allows insurance companies to place only 20 percent of risk with affiliated reinsurance companies. In December 2011, the CNSP issued Resolution 241, which walked back some of the restrictions of Resolution 225 by allowing the 40 percent requirement to be waived if local reinsurance capacity does not exist.

Media: In September 2011, President Rousseff signed into force a law covering the subscription television market, including satellite and cable TV that will remove the previous 49 percent limit on foreign ownership of cable TV companies. Under the law, telecom companies will be allowed to offer television packages with their service. Content quotas will require every channel to air at least three and a half hours per week of Brazilian programming during primetime. Additionally, one-third of all channels included in any TV package will have to be Brazilian. In order to gauge public opinion regarding the telecom sector before proposing revisions to existing regulations, the Brazilian Telecommunications Agency (ANATEL) organized public consultations in February 2013. It was anticipated that revisions to regulations would be enacted in 2013, but no changes were made. While the results of these consultations are being considered, the previously existing law still prevails.

Foreign investment restrictions remain in a limited number of other sectors, including highway freight (20 percent) and mining of radioactive ore. Foreign ownership of land within 150 km of national borders remains prohibited unless approved by Brazil's National Security Council. In October 2009, the Chamber of Deputies approved legislation that would further restrict foreign ownership of land along Brazil's borders and within the Amazon. The proposed legislation (PL 4440/2001) still requires passage by the Brazilian Senate, followed by presidential approval before it can become law. The Senate has not yet brought the bill up for a vote.

On August 23, 2013, the National Land Reform and Settlement Institute (INCRA) published a set of new rules covering the purchase of Brazilian land by foreigners. These rules follow an August 2010 Attorney General's opinion that similarly limited foreign agricultural land ownership. Under the new rules, the area bought or leased by foreigners cannot account for more than 25 percent of the overall area in any municipal district. Additionally, no more than 10 percent of the land in any given municipal district may be owned or leased by foreign nationals from the same country. The rules also make it necessary to obtain congressional approval before large plots of land can be purchased by foreigners, foreign companies, or Brazilian companies with the majority of shareholders from foreign countries. There are several proposed bills -- PL 2289/2007, PL 2376/2007, PL 3483/2008, PL 4240/2008 and PL 4059/2012 -- pending in the Brazilian Congress which would clarify the process for foreigners who want to purchase land.

In the state of São Paulo, due to a judicial impasse, foreigners have been able to buy unrestricted amounts of land since the end of 2013. Companies controlled by foreign entities have been taking advantage of the opportunity and have been seeking investment properties.

Infrastructure Concessions: Brazil has begun an ambitious USD 240 billion Logistics Investment Program (PIL) to draw in private capital and managerial expertise to upgrade the nation's infrastructure, including projects in roads, ports, airports, energy, and urban mobility. All of the infrastructure concessions are open to foreign companies. In fact, in the airport concessions, foreign companies have not only been encouraged to bid, but the auction criteria have

been defined in a way that has the effect of requiring the participation of foreign airport operators. The bidding process is non-discriminatory, transparent, and performed without political interference.

Domestic Investment Goals: In addition to the PIL mentioned above, between January 2011 and December 2013, the government’s Program to Accelerate Growth (PAC) disbursed R\$773 billion to fund transportation, energy, housing, and sanitation projects, representing 76.1 percent of total spending projected by the end of 2014. Under the program, an estimated R\$959 billion was allocated for the period of 2011 through 2014.

In August 2011, Brazil announced a new industrial policy, *Plano Brasil Maior* (the “Bigger Brazil” plan), to support domestic producers, encourage investment, and spur innovation. The plan, covering the period of 2011-2014, sets targets for investment spending to reach 22.4 percent of GDP by 2014, up from a 2010 baseline of 18.4 percent. Private investment in R&D is to reach 0.90 percent of GDP by 2014, up from the 2010 figure of 0.59 percent. *Brasil Maior* also sets targets for making the economy more energy-efficient, reducing the amount of petroleum used per unit of GDP by 9 percent, and nearly tripling broadband internet penetration from 13.8 million households in 2010 to 40 million households in 2014. No mid-term progress reports have been released.

The latest OECD Economic Survey for Brazil was released in 2013. The Survey applauds Brazil’s efforts to promote inclusive growth and to sustainably manage natural resources, but recommends continued fiscal consolidation, more aggressive monetary policy to bring inflation closer towards the center of the target band, and improvements to productivity and competitiveness. The OECD report can be found at:

http://www.oecd.org/eco/surveys/Brazil_2013_Overview_ENG.pdf.

TABLE 1: Brazil’s International Ranking

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions Index	2013	72 of 175	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation’s Economic Freedom Index	2013	114 of 178)	http://www.heritage.org/index/ranking
World Bank’s Doing Business Report “Ease of Doing Business”	2013	116 of 189	http://doingbusiness.org/rankings

Global Innovation Index	2013	64 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	\$ 11,630	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

There are few restrictions on converting or transferring funds associated with a foreign investment in Brazil. Foreign investors may freely convert Brazilian currency in the unified foreign exchange market where buy-sell rates are determined by market forces. All foreign exchange transactions, including identifying data, must be reported to the Central Bank. Foreign exchange transactions on the current account have been fully liberalized.

Foreigners investing in Brazil must register their investment with the Central Bank within 30 days of the inflow of resources to Brazil. Registration is done electronically. Investments involving royalties and technology transfer must be registered with Brazil's patent office, the National Institute of Industrial Property (INPI). Investors must also have a local representative in Brazil. Portfolio investors must have a Brazilian financial administrator and register with the Brazilian Securities Exchange Commission (CVM).

All incoming foreign loans must be approved by the Central Bank. In most instances, the loans are automatically approved. Automatic approval is not issued when the costs of the loan are "not compatible with normal market conditions and practices." In such instances, the Central Bank may request additional information regarding the transaction. Foreign loans obtained abroad do not require advance approval by the Central Bank, provided the recipient is not a government entity. Loans to government entities, however, require prior approval from the Brazilian Senate as well as from the Finance Ministry's Treasury Secretariat, and must be registered with the Central Bank.

Interest and amortization payments specified in a loan contract can be made without additional approval from the Central Bank. Early payments can also be made without additional approvals, if the contract includes a provision for them. Otherwise, early payment requires notification to the Central Bank to ensure accurate records of Brazil's stock of debt.

Foreign investors, upon registering their investment with the Central Bank, are able to remit dividends, capital (including capital gains), and, if applicable, royalties. Remittances must also be registered with the Central Bank. Dividends cannot exceed corporate profits. The remittance transaction may be carried out at any bank by documenting the source of the transaction (evidence of profit or sale of assets) and showing that applicable taxes have been paid.

Capital gain remittances are subject to a 15 percent income withholding tax, with the exception of the capital gains and interest payments on tax-exempt domestically issued Brazilian bonds. Repatriation of the initial investment is also exempt from income tax. Lease payments are assessed a 15 percent withholding tax. Remittances related to technology transfers are not subject to the tax on credit, foreign exchange, and insurance, although

they are subject to a 15 percent withholding tax and an extra 10 percent Contribution of Intervention in the Economic Domain (CIDE).

The Government of Brazil imposes a tax on financial operations, the IOF, on portfolio capital inflows. The main goal of the tax is to discourage short-term, speculative capital flows that could lead to excessive currency volatility or place significant appreciation pressure on the Brazilian currency. In June 2013, the GOB lowered to zero the IOF on fixed income portfolio flows and derivatives in order to attract more foreign portfolio capital. The government retained the ability to increase the IOF at a later date.

3. Expropriation and Compensation

There have been no expropriation actions in Brazil against foreign interests in the recent past, nor have there been any signs that the current government is contemplating such actions. In the past, some claims regarding land expropriations by state agencies have been judged by Brazilian courts in U.S. citizens' favor. However, compensation has not always been paid as states have filed appeals to these decisions and the Brazilian judicial system moves slowly.

4. Dispute Settlement

The Brazilian court system, in general, is overburdened, and contract disputes can be lengthy and complex. The 2013 World Bank "Doing Business" survey found that on average it takes 44 procedures and 731 days to litigate a contract breach at an average cost of 15.3 percent of the claim.

Article 34 the 1996 Brazilian Arbitration Act (Brazilian Law 9307) defines a foreign arbitration judgment as any judgment rendered outside the national territory. The law established that the Brazilian Federal Supreme Court must ratify foreign arbitration awards. Law 9307 also stipulates that the foreign arbitration award is to be recognized or executed in Brazil in conformity with the international agreements ratified by the country and, in their absence, with domestic law. (Note: A 2001 Brazilian Federal Supreme Court ruling established that the 1996 Brazilian Arbitration Act, permitting international arbitration subject to Federal Supreme Court ratification of arbitration decisions, does not violate the Federal Constitution's provision that "the law shall not exclude any injury or threat to a right from the consideration of the Judicial Power.")

Brazil has ratified the 1975 Inter-American Convention on International Commercial Arbitration (Panama Convention), the 1979 Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitration Awards (Montevideo Convention) and the 1958 U.N. Convention on the Recognition and Enforcement of Foreign Arbitration Awards (New York Convention). Brazil, however, is not a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention.

Brazil has a commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed by the civil code. In 2005, bankruptcy legislation (Law 11101) went into effect creating a system, modeled on Chapter 11 of the U.S. bankruptcy code, which allows a company in financial trouble to negotiate a restructuring with its creditors outside of the courts. In the event a company does fail despite restructuring efforts, the reforms improve creditors' ability to recover their debts.

Brazil has both a federal and a state court system, and jurisprudence is based on civil law. Federal judges hear most disputes in which one of the parties is the State and rule on lawsuits between a foreign State or international organization and a municipality or a person residing in Brazil. Five regional federal courts hear appeals of federal judges' decisions.

5. Performance Requirements and Incentives

The Brazilian government uses a variety of tax incentives and attractive financing through the National Bank for Economic and Social Development (BNDES) to actively encourage both domestic and foreign investment. In 2013, BNDES disbursements rose 22 percent to reach R\$190 billion, making it one of the largest development banks in the world, outpacing the lending of even the World Bank. BNDES funding in 2013 was focused on infrastructure and industry, accounting respectively for 33 and 30 percent of total disbursements. The agriculture and livestock sector saw the largest growth in lending, with total disbursement of R\$18.6 billion, a 64 percent increase over the previous year. One of the BNDES' highlights in 2013 was a 27 percent increase on disbursements to micro-, small- and medium-sized enterprises, with a record disbursement of R\$63.5 billion, equivalent to 33% of the bank's total disbursements.

The Government of Brazil extends tax benefits for investment in less developed parts of the country, such as the Northeast and the Amazon regions, with equal application to foreign and domestic investors. These incentives have been successful in attracting major foreign plants to areas like the Manaus Free Trade Zone, but most foreign investment remains concentrated in the more industrialized southern part of Brazil.

Individual states have sought to attract investment by offering ad hoc tax benefits and infrastructure support to specific companies, negotiated on a case by case basis. These benefits have spurred a so-called "fiscal war" between the states, with some states challenging the tax benefits as harmful fiscal competition. In June 2011, the Brazilian Supreme Court ruled that the benefits granted by 14 states on interstate commerce are unconstitutional, since they were implemented without unanimous consent from the National Council of Fiscal Policy (Confaz). In November 2012, the Ministry of Finance proposed to Congress an end to the "fiscal war" by setting the interstate tax rate on goods at 4 percent for all states, thus limiting states' ability to offer special tax incentives to attract investment away from other states. On October 2013, a Confaz meeting was held and state finance secretaries were unable reach consensus on the tax rate exemptions proposal. It had been hoped that the law would be voted on by the Senate, and although the Senate announced that an effort would be made to vote on the law by November 2013, no further progress was made.

In October 2012, the GOB announced Decree 7819 in support of domestic auto manufacturers. The decree raised the Industrial Products Tax (IPI) by 30 percentage points of the price of the vehicle on all vehicle sales in the Brazilian market on or after January 1, 2013. This change affected all vehicles: domestically-produced, imports from other Mercosul member countries, imports from Mexico within quota, and all other foreign imports. Auto manufacturers are able to apply for a tax credit based on their ability to meet certain criteria, including the number of manufacturing processes performed in Brazil, enhancing fuel efficiency, committing to invest in research and development in Brazil or to use Brazilian engineering services, and agreeing to participate in a fuel-efficiency labeling scheme. This decree is the successor to the September 2011 decree (No. 7567) which called for a 30 percentage point increase in the IPI on any car not sourced with at least 65 percent of its

parts from Mercosul countries or Mexico, with which Brazil has an auto sector trade agreement. Decree 7567 expired on December 31, 2012. Both decrees are clear moves to encourage manufacturers to manufacture cars in Brazil rather than export them to Brazil.

In December 2011, the Government of Brazil passed Law 12546, which introduced the Special Regime for the Reinstatement of Taxes for Exporters, dubbed the Reintegra Program. Exporters of products covering 8,630 tariff codes – representing R\$80 billion of exports – received a subsidy of 3 percent of the value of their exports, to be used either as a credit against their income tax or as a cash payment. To qualify, the imported content of the exported goods must not exceed 40%, except in the case of high-tech goods, such as pharmaceuticals, electronics, and aircraft and parts, which are permitted to have up to 65% of inputs imported. In addition, Reintegra exempts exporters from so-called indirect taxes on capital expenditures, including the PIS/Cofins social contribution taxes and the IOF tax on financial transactions. The Reintegra Program expired on December 31, 2013, with many private sector organizations lobbying for it to be reinstated in 2014. To date, this has yet to happen.

In May of 2010, the government placed state-owned communications firm Telebras at the head of a National Broadband Plan, which incorporates fiscal incentives, private sector participation, and regulatory reform to build out Brazil's next generation communication infrastructure network. While the plan provides commercial opportunities for the private sector, including foreign investors, the government seeks to leverage the plan to advance Brazilian technology. This includes favorable BNDES financing for acquisition of telecom equipment that utilizes Brazilian technology, tax exemptions on the purchase of IT equipment that uses Brazilian technology, as well as favoring domestic technology in the procurement process.

To promote Brazilian industry, the Special Agency for Industrial Financing (FINAME) of BNDES provides financing for Brazilian firms to purchase Brazilian-made machinery and equipment and capital goods with a high level of domestic content. The interest rates charged by BNDES are often significantly lower than the prevailing market interest rates for domestic financing.

Government Procurement: Brazil is not a signatory to the WTO Agreement on Government Procurement (GPA). U.S. companies seeking to participate in Brazil's public sector procurement effectively need to partner with a local firm or have operations in Brazil. Foreign companies are often successful in obtaining subcontracting opportunities with large Brazilian firms that win government contracts.

Law 8666 (1993) covers most government procurement other than information technology/telecommunications and requires non-discriminatory treatment for all bidders regardless of nationality or origin of the product or service. Brazilian government procurement rules apply to purchases by government entities and state-owned companies. Brazil has an open competition process for major government procurements. The Brazilian government may not make a distinction between domestic and foreign-owned companies during the tendering process; however, when two equally qualified vendors are considered, the law's implementing regulations provide for a preference for Brazilian goods and services. Price is to be the overriding factor in selecting suppliers. However, the law's implementing regulations also allow for the consideration of non-price factors, giving preferences to certain goods produced in Brazil and stipulating local content requirements in order to qualify for tax

benefits. Additionally, nearly all bids require establishment of a local representative for any foreign company bidding.

Government procurement is just one of thirty-five components under Brasil Maior intended to support Brazilian industry and protect domestic producers, particularly the labor-intensive sectors threatened by imports. The textile, clothing and footwear industries – among the few industries to have lost jobs during the current growth period – were the first to benefit from Brasil Maior when, in November 2011, the Ministry of Development, Industry and Commerce implemented an 8 percent preference margin for domestic producers in these industries when bidding on government contracts. In April 2012, Decrees 7709 and 7713 expanded the use of preference margins to pharmaceuticals and medicine (8 or 20 percent) and excavators and bulldozers (15 and 25 percent). The preference margins for these goods are valid until December 31, 2015.

Decree 7174 (2010), which regulates the procurement of information technology goods and services, requires federal agencies and parastatal entities to give preferential treatment to domestically produced computer products and goods or services with technology developed in Brazil based on a complicated price/technology matrix.

6. Right to Private Ownership and Establishment

Foreign and domestic private entities may establish, own, and dispose of business enterprises.

7. Protection of Property Rights

Mortgages: Brazil has a system in place for mortgage registration, but implementation is uneven and there is no standardized contract. Foreign individuals or foreign-owned companies can purchase real property in Brazil. These buyers frequently arrange alternative financing in their own countries, where rates may be more attractive. Law 9514 (1997) helped spur the mortgage industry by establishing a legal framework for a secondary market in mortgages and streamlining the foreclosure process, but the mortgage market in Brazil is still underdeveloped, and foreigners may have difficulty obtaining mortgage financing. Large U.S. real estate firms, nonetheless, are expanding their portfolios in Brazil.

Intellectual Property Rights: Brazil is a signatory to the GATT Uruguay Round Agreements, including the Trade Related Aspects of Intellectual Property (TRIPs) Agreement, which it signed in 1994. Brazil is a signatory of the Bern Convention on Artistic Property, the Patent Cooperation Treaty, the Convention on Plant Variety Protection, and the Paris Convention on Protection of Intellectual Property.

Brazil is not a party to the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty (collectively, the "WIPO Internet Treaties"). In 2006, Brazil announced plans to join the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"), but the executive branch has yet to submit this proposal to the Brazilian Congress for approval.

In most respects, Brazil's 1996 Industrial Property Law (Law 9279) meets the international standards specified in the TRIPs Agreement regarding patent and trademark protection. However, the law permits the grant of a compulsory license if a patent owner has failed to locally manufacture the patented invention in Brazil within three years of patent issuance, a form of compulsory licensing that the United States believes would be inconsistent with Articles 27.1 and 28.1 of TRIPs. On May 4, 2007, invoking TRIPs provisions for public health

emergencies, Brazil issued a compulsory license for an anti-retroviral drug used in treating HIV/AIDS.

The United States continues to raise concerns regarding article 229-C of law 9279, as amended by Law 10196 (2001), which includes a requirement for the National Health Surveillance Agency (ANVISA) to grant an approval prior to the issuance of a pharmaceutical patent by the National Industrial Property Institute (INPI). ANVISA has had a “prior consent” role in initially reviewing pharmaceutical patent applications before Brazil’s Patent Office, INPI (Provisional Act 2006/1999). While consolidated by Law 10196/2001, it has since been legally contested. No other industrial sector is treated in this way. For all other patent applications, INPI is the sole arbiter of whether or not a patent is granted, and other agencies regulate market access. In October 2009, the Brazilian Federal Attorney General (AGU) issued an opinion (No. 210/PGF/AE/2009) ruling against ANVISA’s practice of reviewing patentability requirements. In January 2011, the AGU issued another opinion (No. 337/PGF/AE/2010) reaffirming the terms of its previous decision and noting ANVISA’s limited role. The AGU’s opinions, however, were non-binding.

An additional ongoing concern is the backlog of pending patent applications at INPI. INPI claims it takes an average of five years to receive a patent in Brazil; independent sources report that it takes six to seven years. INPI has increased its hiring and training of new patent examiners in an effort to decrease the backlog of pending cases. In March 2013, ANVISA held a public hearing and in April 2013, ANVISA implemented the new regulation. ANVISA continues, for now, to examine some pharmaceutical patent applications to determine if the invention described is patentable. In a February 2014 meeting, ANVISA representatives clarified ANVISA does not review all pharmaceutical patents – those determined by the Ministry of Health every two years, and most recently in December 2013. This review process may have an effect on both product availability and capital inflows for the sector and may also diminish the likelihood that newer “on patent” medications will be produced or even sold in Brazil.

In October 2013, the Brazilian Chamber of Deputies released a report on revising patent legislation in Brazil. One recommendation is for Brazil’s Congress to approve Bill 5402/2013, first introduced in April 2013, which would reinforce the ANVISA “prior consent” mechanism. It would reaffirm ANVISA’s duty to analyze patent applications from a public health perspective, namely (1) to determine if a pharmaceutical product or process poses a health risk or (2) to determine if a pharmaceutical patent application meets the patentability requirements in cases where the processes or products are of interest to Brazil’s national health system (SUS).

In the U.S. Trade Representative’s 2007 Special 301 Report, Brazil was downgraded from “Priority Watch List” to “Watch List,” in recognition of its improved anti-piracy enforcement efforts. Since then, Brazil has remained on the “Watch List” of the Special 301 Reports. Anti-piracy enforcement has continued to improve, especially in the major cities of Sao Paulo, Rio de Janeiro, and Brasilia. The upcoming 2014 FIFA soccer World Cup and 2016 Olympics are expected to continue to drive strong anti-piracy and anti-counterfeiting efforts by local, state, and federal police.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Albert Keyack, U.S. Patent and Trademark Office, Rio de Janeiro, Albert.Keyack@trade.gov

Local lawyers list: <http://brazil.usembassy.gov/lawyers.html>

8. Transparency of the Regulatory System

In the 2013 World Bank "Doing Business" report, Brazil ranked 116th out of 189 countries in terms of overall ease of doing business, an improvement of fourteen places compared to the 2012 report (the 2012 report ranked four fewer countries). According to the study, it takes an average of 13 procedures and 107.5 days to start a new business, significantly longer than the OECD high-income economies' average of 11.1 days. The study noted that the annual administrative burden to a medium-size business of tax payments in Brazil is an average of 2,600 hours versus 176 hours in the OECD high-income economies. According to this same study, the total tax rate for a medium-sized business in Brazil is 68.3 percent of profits, compared to 41.3 percent in the OECD high-income economies. Business managers often complain of not understanding tax regulations, despite their investments in large tax and accounting departments.

Tax regulations, while burdensome and numerous, do not differentiate between foreign and domestic firms. However, there have been instances of complaints that the value-added tax collected by individual states (ICMS) favors local companies. Although the tax is designed to be refunded when goods are exported abroad, exporters in many states have had difficulty receiving their ICMS rebates. Taxes on commercial and financial transactions are particularly burdensome, and businesses complain that these taxes hinder the international competitiveness of Brazilian-made products.

Of Brazil's ten federal regulatory agencies, the most prominent include ANVISA (the Brazilian equivalent of the U.S. Food and Drug Administration), which has regulatory authority over the production and marketing of food, drugs and medical devices; ANATEL, the country's telecommunication agency, which handles licensing and assigning of bandwidth; ANP, the National Petroleum Agency, which regulates oil and gas contracts and oversees the bidding process for oil blocks, including for pre-salt oil; and ANAC, the agency which oversees the civil aviation industry. In addition to these federal regulatory agencies, Brazil has 23 state-level agencies and eight municipal-level agencies.

The Office of the Presidency's Program for the Strengthening of Institutional Capacity for Management in Regulation (PRO-REG), created in 2007, has tried to introduce a broad program for improving the regulatory framework in Brazil including via a 2014 Work Plan with the White House Office of Information and Regulatory Affairs to exchange best practices in developing regulations.

Pursuant to the Rousseff administration's priority to improve transparency, the general public has online access to both approved and proposed federal legislation, via websites for the Chamber of Deputies, Federal Senate, and the Office of the Presidency. Brazil is seeking to improve their public comment and stakeholder input process.

Foreign investors have encountered obstacles engaging with regulatory agencies. Notable examples include companies in the electric power sector that have complained about the high level of regulatory risk, including the tariff review process. Additionally, some industries have reported challenges in obtaining licenses from IBAMA, the environmental regulator,

citing unclear licensing requirements, though the process was reportedly streamlined in 2008. There have also been examples of federal agencies levying significant fines on U.S. companies.

Regulatory review of mergers and acquisitions are carried out by the Administrative Council for Economic Defense (CADE). In October 2012, Brazil performed its first-ever pre-merger review of a pending merger, bringing Brazil in line with U.S. and European practices. Brazil had previously performed only post-merger reviews. This shift in merger review was a result of 2011 legislation (Law 12529) which was adopted to modernize Brazil's antitrust review and to combine the antitrust functions of the Ministry of Justice and the Ministry of Finance into those of the so-called Super CADE. This new government body will be responsible for enforcement of competition laws, consumer defense, and combating abuse of economic power.

9. Efficient Capital Markets and Portfolio Investment

The Brazilian financial sector is large and sophisticated. Banks lend at Brazilian market rates which remain high. Reasons cited by industry observers include high taxation, repayment risk, concern over inconsistent judicial enforcement of contracts, high mandatory reserve requirements, and administrative overhead.

The financial sector is concentrated, with Central Bank data indicating that the 10 largest commercial banks (excluding brokerages) account for approximately 81 percent of the commercial banking sector's roughly USD 2 trillion in assets. Three of the five largest banks (in assets) in the country, Banco do Brasil, Caixa Economica Federal, and BNDES, are partially or completely federally owned. Lending by the large banking institutions is focused on the largest companies, while small- and medium-sized banks primarily serve small- and medium-sized companies.

The Central Bank has strengthened bank audits, implemented more stringent internal control requirements, and tightened capital adequacy rules to better reflect risk. It also established loan classification and provisioning requirements. These measures are applied to private and publicly owned banks alike. The Brazilian securities and exchange commission (CVM) independently regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies with penalties against insider trading.

Credit Market: Brazil's credit market has grown significantly over the past several years. Real interest rates, once among the highest in the world, fell dramatically in 2012, driven by continued decreases in the Central Bank's benchmark overnight Selic lending rate and a concerted effort by the GOB to reduce lending spreads charged by public and private banks. The Central Bank initiated a cycle of monetary policy tightening in April 2013, which has continued into 2014, and real interest rates have increased again. While local private sector banks are beginning to offer longer credit terms, BNDES, the state-owned national development bank, is the traditional Brazilian source of long-term credit, and also provides export credits. FINAME (the Special Agency for Industrial Financing) provides foreign- and domestically-owned companies operating in Brazil financing for the manufacturing and marketing of capital goods. FINAMEX (Export Financing), which finances capital good exports for both foreign and domestic companies, is a part of FINAME. One of the goals of these financing mechanisms is to encourage the purchase of domestically produced over imported equipment and machinery.

Equity Market: All stock trading is performed on the Sao Paulo Stock Exchange (BOVESPA), while trading of public securities is conducted on the Rio de Janeiro market. In 2008, the Brazilian Mercantile & Futures Exchange (BM&F) merged with the BOVESPA to form what is now the fourth largest exchange in the Western Hemisphere, after the NYSE, NASDAQ, and Canadian TSX Group exchanges. BOVESPA has launched a "New Market" in which the listed companies comply with stricter corporate governance requirements. A majority of initial public offerings (IPOs) are now listed on the New Market. Until October 2013, nine new IPOs and follow-ons raised R\$ 16 billion in capital.

At the end of 2013, there were 452 companies traded on the BM&F/BOVESPA. Total daily trading average volume has risen from R\$ 2.4 billion in 2006 to R\$ 7.4 billion in 2013, and the number of trades has increased more than 10 times over the same period.

The BM&F/BOVESPA currently has no competition, but that may change soon. In January 2013, DirectEdge, the fourth-largest stock exchange operator in the United States, applied for a license to launch its services in Brazil in 2013. Direct Edge's position in the Brazilian market may be strengthened after its proposed merger with BATS Global Markets in 2014. Direct Edge is expected to begin operations in Brazil in 2015.

Foreign investors, both institutions and individuals, can directly invest in equities, securities and derivatives. Foreign investors are required to trade derivatives and stocks of publicly held companies on established markets. At year-end 2013, foreign investors accounted for 43.7 percent of the total turnover on the BOVESPA. Domestic institutional investors were the second most active market participants, accounting for 32 percent of activity. Individual investors comprised 15.2 percent of activity, followed by financial institutions (7.4 percent), and public and private companies (1 percent). Law 10303 of 2001 limits preferred shares to 50 percent of new issuances.

Wholly owned subsidiaries of multinational accounting firms, including the major U.S. firms, are present in Brazil. As of 1996, auditors are personally liable for the accuracy of accounting statements prepared for banks.

In recent years the government has sought to manage short-term capital inflows and appreciation of the Brazilian currency with the introduction of new taxes on capital inflows (see "Conversion and Transfer Policies" in section 2).

10. Competition from State-Owned Enterprises

In the 1990's and early 2000s, the Brazilian government privatized state-owned enterprises across a broad spectrum of industries, including mining, steel, aeronautics, banking, energy, and electricity generation and distribution. While the government has divested itself from many of its state-owned companies, it maintains partial control (at both the federal and state level) of some previously wholly state-owned enterprises. Notable examples of partially federally-controlled firms include energy giant Petrobras and power utility Eletrobras. Both Petrobras and Eletrobras include non-government shareholders, are listed on both the Brazilian and NYSE stock exchanges, and are subject to the same accounting and audit regulations as all publicly traded Brazilian companies.

The 2010 "pre-salt" legislation gives Petrobras sole operator status for the development of the new oil discoveries. The terms and conditions of the new regime favor Petrobras as the sole operator, although foreign firms are still anticipated to play a role in the pre-salt oil fields.

In addition to major players like Petrobras and Eletrobras, the Brazilian government, at both the federal and state levels, maintains ownership interests in a variety of other smaller enterprises. Typically, corporate governance is led by a board comprised of directors elected by the state or federal government with additional directors elected by non-government shareholders. Brazilian enterprises with state ownership are concentrated in the energy, electricity generation and distribution, transportation, and banking sectors. Many of these firms are also publically traded companies on the Brazilian and other stock exchanges.

11. Corporate Social Responsibility

Most state-owned and private sector corporations of any significant size in Brazil pursue corporate social responsibility (CSR) activities. Many corporations support local education, health and other programs in the communities where they have a presence. Brazilian consumers, especially the local citizenry where a corporation has or is planning a local presence, expect CSR activity. It is not uncommon for corporate officials to meet with community members prior to building a new plant or factory to review what types of local services the corporation will commit to providing. Foreign and local enterprises in Brazil often advance United Nations Development Program (UNDP) Millennium Development Goals (MDGs) as part of their CSR activity, and will cite their local contributions to MDGs, such as universal primary education and environmental sustainability.

The U.S. diplomatic mission in Brazil supports American business CSR activities through the +Unidos Group (Mais Unidos), a group of more than 100 American companies established in Brazil. Additional information on how the partnership supports public and private alliances in Brazil can be found on its website: www.maisunidos.org.

Strikes and demonstrations occur occasionally in urban areas and may cause temporary disruption to public transportation. Occasional port strikes also impact commerce. Large, widespread protests occurred in June 2013 during the Confederations Cup. The protests started in response to a hike in bus fares and later grew to include complaints regarding the government's perceived inability to tackle corruption and improve public services, such as education and healthcare. Several protest groups are organizing on social media for demonstrations during the 2014 FIFA World Cup but the government insists World Cup protests will be smaller than Confederations Cup demonstrations. Although U.S. citizens have traditionally not been targeted during such events, U.S. citizens traveling or residing in Brazil are advised to take common-sense precautions and avoid any large gatherings or any other event where crowds have congregated to demonstrate or protest. For the latest U.S. State Department guidance on travel in Brazil, please consult www.travel.state.gov.

13. Corruption

In 2013, Brazil ranked 72nd (out of 175 countries) in Transparency International's Corruption Perceptions Index. In South America, Brazil ranked behind Chile and Uruguay, and ranked ahead of Colombia, Peru, Argentina, Suriname, Bolivia, Ecuador, Guyana, Paraguay and Venezuela. With regard to major emerging economies in the BRICS grouping, Brazil ranked ahead of China (80th), India (94th), and Russia (127th), and tied with South Africa (72nd).

Corruption scandals are a regular feature of Brazilian political life. Politics for the past two years have been shaken by Penal Case 470, more commonly known as the "Mensalão" case, under which defendants, including some past and present members of the Brazilian Congress, were found guilty of participating in a pay-for-votes scheme. A former president of

the Chamber of Deputies, former President Lula's chief of staff, and 24 other current and former public officials were convicted in the highly-followed trial, which was viewed as a positive step in the fight against corruption.

Brazil is a signatory to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention and a participating member of the OECD Working Group on bribery. It was one of the founders, along with the United States, of the intergovernmental Open Government Partnership, which seeks to help governments increase transparency. Brazil has laws, regulations and penalties to combat corruption, but their effectiveness is inconsistent. Bribery is illegal, and a bribe by a local company to a foreign official is a criminal act. A company cannot deduct a bribe to a foreign official from its taxes. While federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states. Corruption has been reported to be problematic in business dealings with some authorities, particularly at the municipal level. U.S. companies operating in Brazil are subject to the U.S. Foreign Corrupt Practices Act.

14. Bilateral Investment Agreements

Brazil does not have a Bilateral Investment Treaty with the United States. In the 1990's Brazil signed BITs with Belgium and Luxembourg, Chile, Cuba, Denmark, Finland, France, Germany, Italy, the Republic of Korea, the Netherlands, Portugal, Switzerland, the United Kingdom and Venezuela, but none of these have been approved by the Brazilian Congress. In 2002, an inter-ministerial working group decided to withdraw the agreements from Congress for approval, so they have not and will not be voted on any time soon. Brazil also has not approved the Mercosul investment protocol.

Brazil does not have a double taxation treaty with the United States, but it does have such treaties with 31 other countries, including, among others, Japan, France, Italy, the Netherlands, Canada and Argentina. Brazil signed a Tax Information Exchange Agreement (TIEA) with the United States in March 2007, and that agreement entered into force on May 15, 2013, signed by President Dilma Rousseff in Decree 8003/2013.

15. OPIC and Other Investment Insurance Programs

Programs of the Overseas Private Investment Corporation (OPIC) are fully available, and activity has increased in recent years. The size of OPIC's exposure in Brazil may occasionally limit its capacity for new coverage. Brazil has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

16. Labor

The Brazilian Ministry of Labor estimates that 19.3 million jobs were created in Brazil from January 2003 to October 2013. In 2013, a net 1.1 million jobs were created, compared to 1.3 million in 2012 and 1.9 million in 2011. The 2013 results were the worst annual performance since 2003, when the country created only 645,433 formal jobs.

According to a 2011 Brazilian Institute of Geography and Statistics (IBGE) report, the Brazilian labor force has 92.5 million workers. Roughly 58% were located in the services sector, 15% in agriculture, 21% in the construction and manufacturing sectors.

Brazil has signed on to a large number of International Labor Organization (ILO) conventions. Brazil is party to the UN Convention on the Rights of the Child and major ILO conventions concerning the prohibition of child labor, forced labor and discrimination.

The labor code is highly detailed and relatively generous to workers. Formal sector workers are guaranteed 30 days of annual leave and severance pay in the case of dismissal without cause. Brazilian employers are required to pay a "thirteenth month" of salary to employees at the end of the year. Brazil also has a system of labor courts that are charged with resolving routine cases involving unfair dismissal, working conditions, salary disputes, and other grievances. Labor courts have the power to impose an agreement on employers and unions if negotiations break down and either side appeals to the court system. As a result, labor courts routinely are called upon to determine wages and working conditions in industries across the country. The system is tantamount to compulsory arbitration and does not encourage collective bargaining. In recent years, however, both labor and management have become more flexible and collective bargaining has assumed greater relevance.

The Ministry of Labor estimates that there are nearly 15,000 labor unions in Brazil, but Ministry officials note that these figures are inexact. Labor unions, especially in sectors such as metalworking and banking, tend to be well-organized and aggressive in advocating for wages and working conditions and account for approximately 19 percent of the official workforce according to a recent IBGE release. Strikes occur periodically, particularly among public sector unions. Unions in various sectors engage in industry-wide collective bargaining negotiations mandated by federal regulation. While some labor organizations and their leadership operate independently of the government and of political parties, others are considered to be closely associated with political parties.

In firms employing three or more persons, Brazilian nationals must constitute at least two-thirds of all employees and receive at least two-thirds of total payroll. Foreign specialists in fields where Brazilians are unavailable are not counted in calculating the one-third permitted for non-Brazilians.

The IBGE statistical agency estimated unemployment in the six major metropolitan areas to be 5.4% at the end of 2013, the lowest level since the survey began in 2002. With low unemployment, there is currently a shortage of highly-skilled workers. Unemployment levels range significantly across regions.

Employer federations, supported by mandatory fees based on payroll, play a significant role in both public policy and labor relations. Each state has its own federation, which reports to the National Confederation of Industries (CNI), headquartered in Brasilia.

17. Foreign Trade Zones/Free Trade Zones

The federal government has granted tax benefits for certain free trade zones. Most of these free trade zones aim to attract investment to the country's relatively underdeveloped North and Northeast regions. The most prominent of these is the Manaus Free Trade Zone, in Amazonas State, which has attracted significant foreign investment, including from U.S. companies. In October 2011, President Rousseff signed a constitutional amendment which extends Manaus's status as an industrial zone for another 50 years. This measure must be approved by the Congress, however, and has yet to enter into force as of the end of 2013.

18. Foreign Direct Investment and Foreign Direct Investment Statistics

According to the Central Bank's most recent foreign-capital census (2010), the United States had the largest share of accumulated foreign-capital stock in Brazil, with 18.0 percent of the total. Spain had 14.7 percent, Belgium 8.7 percent, and Brazil 8.3 percent. Net foreign direct investment inflows between 2006 to 2011 total approximately USD 377 billion after subtracting depreciation and capital repatriation.

According to the UN, in 2012 Brazil was the fourth largest destination of foreign direct investment, trailing only the United States, China, and Hong Kong. The same criteria placed Brazil in fifth in 2011 and seventh in 2010.

According to data published by the Central Bank, FDI inflows to Brazil are anticipated to have reached more than USD 64 billion in 2013, a figure almost 2 percent lower than 2012. According to the U.S. Bureau of Economic Analysis, the stock of FDI from the United States in Brazil was USD 79.3 billion in 2012.

For more information on investing in Brazil, contact the Brazilian Trade and Investment Promotion Agency, ApexBrasil: <http://www.apexbrasil.com.br>.

TABLE 2: Key Macroeconomic Data, FDI in Brazil

	Host Country Statistical source*		USG or international statistical source		Source of Data
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	2,239,895	2012	2,253,000	http://www.worldbank.org/en/country https://www3.bcb.gov.br/sgspub/
Foreign Direct Investment					
U.S. FDI in partner country (Millions U.S. Dollars,	2011	103,223	2012	79,394	http://www.bea.gov http://www.bcb.gov.br/Rex/CensoCE/port/resultados_censos_anos_base_2011_e_2010.asp?idpai

stock positions)					
Host country's FDI in the United States (Millions U.S. Dollars, stock positions)	2012	22,635	2012	3,590	http://www.bea.gov http://www.bcb.gov.br
Total inbound stock of FDI as % host GDP	2011	28%			http://www.bcb.gov.br

* Host country data sourced from the Brazilian Central Bank.

TABLE 3: Sources and Destination of FDI, Brazil, 2012

Direct Investment from/in Counterpart Economy Data						
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)						
Inward Direct Investment				Outward Direct Investment		
Total Inward	746,903	100%	Total Outward	203,910	100%	
Netherlands	212,569	28%	Austria	56,792	28%	
United States	113,440	15%	Cayman Islands	32,241	16%	
Spain	81,327	11%	Virgin Islands, British	21,069	10%	
Luxembourg	50,566	7%	United States	20,935	10%	
France	34,498	5%	Spain	16,121	8%	
"0" reflects amounts rounded to +/- USD 500,000.						

TABLE 4: Sources of Portfolio Investment, Brazil 2012

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	22,124	100%	World	13,367	100%	World	8,757	100%
United States	9,436	43%	United States	4,816	36%	United States	4,620	53%
Bermuda	3,093	14%	Bermuda	3,091	23%	Denmark	1,461	17%
Denmark	1,462	7%	Virgin Islands, British	819	6%	Korea, Republic of	947	11%
Bahamas, The	1,081	5%	Switzerland	658	5%	Bahamas, The	723	8%
Korea, Republic of	947	4%	Cayman Islands	622	5%	Cayman Islands	271	3%

Section 5 - Government

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Political parties and leaders:

Brazilian Communist Party or PCB [Ivan Martins PINHEIRO]
Brazilian Democratic Movement Party or PMDB [Valdir RAUPP, acting]
Brazilian Labor Party or PTB [Benito GAMA, acting]
Brazilian Renewal Labor Party or PRTB [Jose Levy FIDELIX da Cruz]
Brazilian Republican Party or PRB [Marcos Antonio PEREIRA]
Brazilian Social Democracy Party or PSDB [Sergio GUERRA]
Brazilian Socialist Party or PSB [Eduardo CAMPOS]
Christian Labor Party or PTC [Daniel TOURINHO]
Christian Social Democratic Party or PSDC [Jose Maria EYMAEL]
Communist Party of Brazil or PCdoB [Jose Renato RABELO]
Democratic Labor Party or PDT [Carlos Roberto LUPI]
the Democrats or DEM [Jose AGRIPINO] (formerly Liberal Front Party or PFL)
Free Homeland Party or PPL [Sergio Rubens de Araujo TORRES]
Green Party or PV [Jose Luiz PENNA]
Humanist Party of Solidarity or PHS [Eduardo Machado e Silva RODRIGUES]
Labor Party of Brazil or PTB [Luis Henrique de Oliveira RESENDE]
National Ecologic Party or PEN [Adilson Barroso OLIVEIRA]
National Labor Party or PTN [Jose Masci de ABREU]
National Mobilization Party or PMN [Oscar Noronha FILHO]
Party of the Republic or PR [Alfredo NASCIMENTO]
Popular Socialist Party or PPS [Roberto Joao PEREIRA FREIRE]
Progressive Party or PP [Francisco DORNELLES]
Progressive Republican Party or PRP [Ovasco Roma Altimari RESENDE]
Social Christian Party or PSC [Vitor Jorge Abdala NOSSEIS]
Social Democratic Party (Partido Social Democratico) or PSD [Gilberto KASSAB]
Social Liberal Party or PSL [Luciano Caldas BIVAR]
Socialism and Freedom Party (Partido Socialismo e Liberdade) or PSOL [Ivan VALENTE]
United Socialist Workers' Party or PSTU [Jose Maria DE ALMEIDA]
Workers' Cause Party or PCO [Rui Costa PIMENTA]
Workers' Party or PT [Rui FALCAO]

Legal system:

civil law; note - a new civil law code was enacted in 2002 replacing the 1916 code

International organization participation:

AfDB (nonregional member), BIS, BRICS, CAN (associate), CD, CELAC, CPLP, FAO, FATF, G-15, G-20, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA, LAS (observer), Mercosur, MIGA, MINURSO, MINUSTAH, NAM (observer), NSG, OAS, OECD (Enhanced Engagement), OPANAL, OPCW, Paris Club (associate), PCA, SICA (observer), UN, UNASUR, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, UNIFIL, Union Latina, UNISFA, UNITAR, UNMIL, UNMISS, UNMIT, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

The Central Bank allows the official exchange rate to float freely within periodically established bands but participation is restricted to authorised dealers. The bank intervenes when there are signs of speculative operations. There is an official tourist rate that ranges normally close to the commercial rate.

Treaty and non-treaty withholding tax rates

The overall rate of withholding tax at source used in the remittance of interest and royalties is 15%, except for Japan with a rate of 12.5%. There is no tax on the remittance of dividends. Any remittances to tax haven countries (blacklist) are subject to withholding tax at the rate of 25%.

In calendar year 2010, the Brazilian Federal Revenue stated the new blacklist forced by Normative Instruction SRF No. 1,037/10, which contains the long-awaited "tax blacklist" of (1) "low tax jurisdictions" and (2) "tax privileged regimes".

Non-resident entities that are incorporated in a jurisdiction that qualifies as either a "low tax jurisdiction" or a "tax privileged jurisdiction" are generally subject to unfriendly Brazilian tax rules. The most punitive Brazilian tax rules, however, generally apply only to non-resident entities located in "low tax jurisdictions".

Prior to June 2008, the Brazilian tax authorities had only considered the concept of the "low tax jurisdiction" which was generally defined as a jurisdiction that taxed its residents at a tax rate of less than 20%. Non-resident entities formed in "low tax jurisdictions" were subject to additional taxes when doing business with Brazilian companies. For example:

- the increase in withholding tax from 15% to 25% on interest, royalties, and charter payments
- the increase in withholding tax from 15% to 25% on capital gains (non-publicly traded companies)
- enhanced transfer pricing scrutiny (including scrutiny of transactions with unrelated parties).

The new normative instruction revealed to practitioners that the Brazilian Federal revenue (IRS) would start to look beyond a "country-by-country" blacklist.

Tax privilege regimes states, by law, include:

I – Holding Company set up under Luxembourg law

II – SAFIS constituted under Uruguay law until December 2010

III – Holding Company set up under Denmark law that has no substantive economic activities

IV – Holding company set up under law applicable to corporate in United Kingdom with no substantive economic activities

V – International Trading Company – ITC set up under law of Iceland

VI – Offshore KFT Company set up under law applicable to corporate in Hungary

VII - United States Limited Liability Company (US LLC) as a "tax privileged regime" when the membership of the US LLC "is composed of non-residents, not subject to federal income taxation." The US LLC was not listed as a "low tax entity." The United States "corporation" avoided both blacklists.

VIII – E.T.V.Es – “Entidad de Tenencia de Valores Extranjeros” company set up under Law applicable to corporate in Spain

VIII – International Trading Company – ITC and International Holding Company – IHC set up under Law applicable to corporates in Malta.

Aside from shifting transfer pricing issues into the new category of "tax privileged regimes," all of the other limitations and additional taxes that historically applied to entities formed in "low tax jurisdictions" remained the same.

After the new concept of the "tax privileged regime" was created in calendar year 2008, the concept was expanded in late 2009 to place tougher Brazilian "thin capitalisation" restrictions on parent companies lending money to their Brazilian subsidiaries.

In summary, tax impacts forced by the new blacklist represents two main limitations that now apply to entities that are formed under "tax privileged regimes" :

- Increased transfer pricing scrutiny; and
- Stricter thin capitalisation standards.

Brazil is not a member of the Organization for Economic Co-Operation and Development (OECD), Latin American Integration Association (LAIA) and is a signatory to the World Trade Organization (WTO), formerly the General Agreement on Tariffs and Trade (GATT). Until now, membership in LAIA has not affected the size of the market available to local industry and the foreign investor.

Brazil, Argentina, Paraguay and Uruguay are the signatory members of Mercosul (South Cone Market), which was officially ratified on 1 January 1995 after a phasing-in period. Under the treaty agreement, most tariffs have been reduced to zero. Movement of labour, goods and services is unrestricted, capital investment encouraged, macroeconomic policies coordinated, and foreign trade policies and rates for non-member countries harmonised.

Brazil has signed **40 agreements (33 DTC and 7 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Argentina	DTC	17 May 1980	7 Dec 1982	Yes	No	
Austria	DTC	24 May 1975	1 Jul 1976	No	No	
Belgium	DTC	23 Jun 1972	13 Jul 1973	Yes	No	
Bermuda	TIEA	29 Oct 2012	not yet in force	Yes	Yes	
Canada	DTC	4 Jun 1984	23 Dec 1985	Yes	No	
Cayman Islands	TIEA	19 Mar 2013	not yet in force	Yes	Yes	
Chile	DTC	3 Apr 2001	24 Jul 2003	Yes	Yes	
China	DTC	5 Aug 1991	6 Jan 1993	Yes	No	
Czech Republic	DTC	26 Aug 1986	14 Nov 1990	No	No	
Denmark	DTC	27 Aug 1974	5 Dec 1974	Yes	No	
Ecuador	DTC	26 May 1983	28 Dec 1987	Unreviewed	No	
Finland	DTC	2 Apr 1996	26 Dec 1997	Yes	No	
France	DTC	10 Sep 1971	10 May 1972	Yes	No	
Guernsey	TIEA	6 Feb 2013	not yet in force	Yes	Yes	
Hungary	DTC	20 Jun 1986	13 Jul 1990	No	No	
India	DTC	26 Apr 1988	11 Mar 1992	Yes	No	
Israel	DTC	12 Dec 2002	21 Sep 2005	Yes	No	
Italy	DTC	3 Oct 1978	24 Apr 1981	No	No	
Japan	DTC	24 Jan 1967	31 Dec 1967	No	No	
Jersey	TIEA	28 Jan 2013	not yet in force	Yes	Yes	
Korea, Republic of	DTC	7 Mar 1989	21 Nov 1991	No	No	
Luxembourg	DTC	8 Nov 1978	23 Jul 1980	No	No	
Mexico	DTC	25 Sep 2003	30 Nov 2006	Yes	No	
Netherlands	DTC	8 Mar 1990	22 Nov 1991	No	No	
Norway	DTC	21 Aug 1980	26 Nov 1981	Yes	No	
Peru	DTC	17 Feb 2006	14 Aug 2009	Unreviewed	Yes	
Philippines	DTC	29 Sep 1983	7 Oct 1991	No	No	
Portugal	DTC	16 May 2000	5 Oct 2001	Yes	No	
Russian Federation	DTC	22 Nov 2004	19 Jan 2009	Yes	No	
Slovakia	DTC	26 Aug 1986	14 Nov 1990	No	No	
South Africa	DTC	8 Nov 2003	24 Jul 2006	Yes	No	
Spain	DTC	14 Nov 1974	3 Dec 1975	Yes	No	
Sweden	DTC	25 Apr 1975	29 Dec 1975	Yes	No	
Trinidad and Tobago	DTC	23 Jul 2008	not yet in force	No	No	
Turkey	DTC	16 Dec 2010	9 Oct 2012	Yes	Yes	
Ukraine	DTC	16 Jan 2002	25 Apr 2006	Unreviewed	No	
United Kingdom	TIEA	28 Sep 2012	not yet in force	Yes	Yes	
United States	TIEA	20 Mar 2006	19 Mar 2013	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Uruguay	TIEA	24 Oct 2012	not yet in force	Yes	Yes	
Venezuela	DTC	14 Jan 2005	not yet in force	Unreviewed	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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