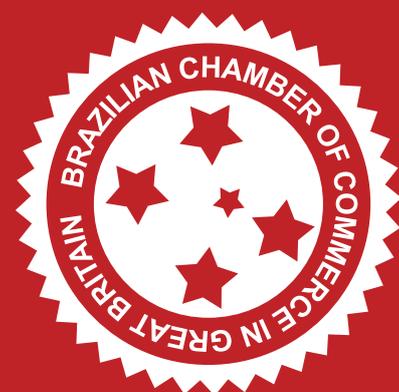

BRAZIL BUSINESS BRIEF

APRIL 2014



NEWS FROM THE BRAZILIAN CHAMBER
OF COMMERCE IN GREAT BRITAIN



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EDITORS' LETTER



LENA BERALDO & ALEX THOMAS
info@brazilianchamber.org.uk

Dear Members,

A warm welcome to the April 2014 edition of the Brazil Business Brief.

This month we're gearing up for our biggest event of the year: the Personality of the Year awards and gala dinner at the London Hilton on Park Lane on 13th May. We hope, of course, to see many of you there. For information on this and many other forthcoming events, see page 27 of this issue and keep an eye on www.brazilianchamber.org.uk/events.

We trust you'll enjoy our latest collection of articles, which cover a broad range of themes, and take this opportunity to reiterate that we're always keen to receive not only feedback but also suggestions for future articles and events. You can contact us at www.brazilianchamber.org.uk/contact-us

Best wishes

Lena & Alex ●

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BRAZIL: NO LONGER THE COUNTRY OF THE FUTURE?

BY CHRIS DESA

SENIOR MANAGER · GLOBAL CLIENT SERVICES · CONTROL RISKS



After nearly two decades of sustained growth, Brazil's torpid economy and social turbulence suggest the country is now entering dire straits. While many believe Brazil's past has caught up with it, this view is misguided for two reasons. First, the country has the capacity to navigate through the economic doldrums during this year's electoral cycle. And second, irrespective of who wins in October, the post-

electoral cycle is likely to see policy-makers converge on an investment-led, business-friendly growth strategy, thereby reinvigorating the country's stagnating, consumption-led economy.

The economy is fatigued, to be sure. Growth has slowed to a tepid pace. The cyclical upswing in commodity prices, propitious demographics (a growing labour force) and robust credit growth that sustained Brazil's consumption-led growth for the past decade have all but come to an end.

Lagging exports have contributed to a growing current account deficit, increasing the country's balance-of-payment vulnerabilities. Moreover, despite high tax revenue (around 40% of GDP), the Brazilian public sector has exhausted its space for fiscal manoeuvring and faces difficulties in meeting its primary-surplus targets.

Persistent inflation is an even more pressing concern, averaging around 6–7% since President Dilma Rousseff took office in 2011. The Central Bank

has had to respond with eight consecutive interest rate increases, reaching 10.75% on February 26 this year. Recognising the upper bounds of monetary policy given Brazil's already-exorbitant interest rates, Dilma's finance minister recently announced budget cuts and a primary surplus target of 1.9% in 2014 – somewhat surprising given that this is, after all, an election year.

Social unrest is also creating challenges. It remains to be seen whether the mass social protests that erupted during last summer's FIFA Confederations Cup will persist through the 2014 World Cup and beyond. Over the past decade, measures to ameliorate income distribution (particularly Bolsa Familia, Brazil's conditional cash-transfer programme), record-low unemployment and an expansion of credit have resulted in a burgeoning middle class and rapid decrease in poverty. However, reducing inequality has brought its own problems. The middle class now demands that their taxes be used more efficiently in the form of higher-quality healthcare, education, transportation and public security. Middle-class citizens simply want more bang for their buck.

The stage is set for a presidential showdown in October. Dilma will have

THE MIDDLE CLASS NOW DEMANDS THAT THEIR TAXES BE USED MORE EFFICIENTLY IN THE FORM OF HIGHER- QUALITY HEALTHCARE, EDUCATION, TRANSPORTATION AND PUBLIC SECURITY

to fight hard to re-establish credibility and secure a second term. Moreover, the Workers' Party (PT) faces more formidable opponents than ever.

Dilma will have to stave off vigorous criticism from Aécio Neves, a presidential candidate, senator and former governor of Minas Gerais representing the Brazilian Social Democracy Party (PSDB). He will argue that the consumption-led growth policies, labour market rigidity and high tax rates under Dilma – and her predecessor, President Lula – have resulted in low domestic savings and investment, weak infrastructure, lacklustre productivity gains and inward-looking trade flows. Industrialists and manufacturers in the south and southeast of the country are likely to agree. Having saved Minas Gerais from bankruptcy

in 2003, Aécio will align himself with the business-friendly, liberal policies of the Plano Real, credited with stabilising the economy and taming inflation in the 1990s. He will argue that a course correction is necessary and that the PSDB is best positioned to make that happen.

Meanwhile Dilma faces a very different set of accusations from the combined ticket of Eduardo Campos, governor of Pernambuco and now the presidential candidate of the Brazilian Social Party (PSB), and Marina Silva, an environmentalist who received nearly 20% of the vote in the 2010 presidential elections. Marina recently joined the Campos ticket as vice-presidential candidate. The Campos-Silva ticket blames Dilma and the PT for failing to deliver on social goods such as high-quality education, healthcare and environmental regulation. Both Campos and Silva compete directly with Dilma for votes – the former enjoying a positive image in the north-eastern states (a PT stronghold) and the latter having a progressive, eco-friendly stance that plays well with young voters disenchanted with the "power-hungry" PT.

This leaves Dilma particularly vulnerable and will almost certainly

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force a run-off in October. Just how vulnerable remains to be seen. Recent approval ratings suggest she has her work cut out: in the most recent Datafolha poll only 41% of respondents gave her administration a positive approval rating, down from 65% in March 2013. Although current polls predict a victory for Dilma in the event of a run-off, the outcome is by no means certain.

All the major presidential candidates recognise that Brazil desperately needs to find an alternative to its now-defunct consumption-led growth model. Risks are primarily short-term, but continued foreign direct investment and robust international currency reserves should help the country weather any storms during the electoral cycle. The post-electoral environment will probably see a return to sound macroeconomic and fiscal discipline, regardless of who is elected, and will include substantial increases in investment (particularly in infrastructure, logistics and energy) and a cosying up to pro-business groups to move foster competitiveness and trade.

A win for Aécio would almost certainly hasten structural reform and belt-tightening, and quickly restore investor confidence and growth. While

THE POST-ELECTORAL ENVIRONMENT WILL PROBABLY SEE A RETURN TO SOUND MACROECONOMIC AND FISCAL DISCIPLINE, REGARDLESS OF WHO IS ELECTED, AND WILL INCLUDE SUBSTANTIAL INCREASES IN INVESTMENT

still committed to sound macroeconomic and business-friendly policies, a win for the Campos-Silva ticket would probably see Campos adopt more populist policies and resort to more direct forms of democracy (such as referendums) given the relatively small size of the PSB in Congress, though an alliance with PSDB could mitigate that possibility. A win for Dilma – the most likely scenario – would probably result in the immediate replacement of her economic team as a clear shift towards pro-investment, pro-business policies to foster growth without having to go to Congress.

But regardless of the outcome, the gloom and doom based on Brazil's recent performance is overblown. ●

SUSTAINABILITY: A STRATEGIC AGENDA WHICH CAN'T BE POSTPONED

BY SONIA FAVARETTO
PRESS AND SUSTAINABILITY OFFICER - BM&FBOVESPA

I like to say that organizations can incorporate sustainability into their day-to-day conduct in three ways: “for love”, when sustainability is championed by leaders who are passionate about it and convinced of its importance; “out of fear”, when firms might suffer financial losses or damage to their image or reputation because they fail to pay sufficient attention to sustainability; or “because it's smart”, when they understand the competitive edge and the capacity for innovation and leadership that a sustainability agenda will give them. One way or another, however, I'm convinced that sustainability will be incorporated into strategy and therefore into day-to-day business conduct. It's merely a matter of time.

Unfortunately, from the purely environmental standpoint, time is not on our side. The Earth's capacity to regenerate its natural resources has been overtaken by human consumption. In 2009 we got to the point where we were consuming 1.5 planets: in other words it already took a year and a half for the Earth to regenerate the renewable resources humanity used in a year. If we think of the Earth's resources as a bank account, we're now slipping further into overdraft.



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For those who think this is an abstract question that mainly concerns

environmentalists, it's important to bear in mind that global warming and the increasing frequency of extreme weather events have presented the markets with huge challenges, which in some cases even include the threat of insolvency. The insurance industry, for example, has practically had to reinvent itself in response to disasters of unprecedented intensity. Hurricane Katrina, in 2005, demonstrated the urgency of these challenges. The response to this harsh new reality includes the Principles for Sustainable Insurance (PSI), launched in 2012 during Rio+20, the UN Conference on

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Sustainable Development.

Exchanges are the hub of capital markets, and as such they play a crucial role in all these developments. BM&FBOVESPA is well aware of its responsibility and has a long track record of promoting this discussion both internally and with all the other stakeholders in the capital markets. In 2004 it was the first exchange in the world to sign up to the UN Global Compact. In 2009 it set up a Sustainability Department that reports directly to the CEO, to structure these actions and drive the agenda forward more vigorously. In 2010 it was the first emerging-market exchange to become a signatory to the UN's Principles for Responsible Investment (PRI). In 2012, during Rio+20, it was one of the founding signatories of Sustainable Stock Exchanges (SSE), another UN initiative, in which it works with other exchanges to move this agenda forward for the industry as a whole.

All these commitments are grounded in our conviction that we're moving towards a world, both personal and professional, in which organizations will take social, environmental and governance variables into account as an integral part of the risks and opportunities they face.

INVESTORS HAVE CLEARLY BEGUN TO UNDERSTAND. ALLOCATIONS TO SOCIALLY RESPONSIBLE INVESTMENT FUNDS ARE GROWING SIGNIFICANTLY. IN EUROPE, SRI FUNDS ACCOUNT FOR ABOUT 17% OF THE TOTAL. IN BRAZIL THE PROPORTION IS STILL LESS THAN 1%

Investors have clearly begun to understand. Allocations to socially responsible investment funds are growing significantly. In Europe, SRI funds account for about 17% of the total. In Brazil the proportion is still less than 1%. Are these numbers large or small? I would say they're less than what is needed but nevertheless substantial, and symptomatic of a trend that's growing at an ever faster pace.

As part of its unremitting efforts to offer investors more choice, BM&FBOVESPA constantly endeavours to promote this preference when the time comes for portfolio allocation. Our indexes are an important

instrument in this process. The ISE, our corporate sustainability index, was launched in 2005 as the world's fourth index of its kind. Today it tracks the stocks of up to 40 companies with the best practices in business management for sustainability. These companies represent 47% of all BM&FBOVESPA's companies by market value (as of November 2013). The exchange now offers an ISE ETF as well as investment funds benchmarked to the ISE. Since March 2011 the ISE has consistently outperformed the Ibovespa, the exchange's flagship stock index. The two indexes are not entirely comparable because of their different composition, but here too the direction is clearly indicated.

Another example is the Carbon Efficient Index (ICO2), launched in 2010. The ICO2 tracks the stocks of IBrX-50 companies that agree to participate in the initiative (the IBrX-50 is the index comprising the 50 most liquid stocks traded on the exchange). It is weighted by free float and a coefficient to reflect greenhouse gas emissions. This index, which also has an ETF, sends listed companies a clear message: climate change is having an increasingly significant impact on business activities and needs to be managed.

Transparency is also a fundamental item on the sustainability agenda. As noted earlier, investors are increasingly aware of the significance of non-financial disclosure and look for much more than just economic or financial information when trading on the exchange. To give an example, in 2010 BM&FBOVESPA became the second exchange in the world – and the first in the Americas – to publish its annual report in accordance with GRI guidelines, the most widely accepted sustainability reporting framework in the world today.

Also to encourage maximum disclosure by listed companies, at Rio+20 we launched another initiative called "Report or Explain", a partnership with GRI that urges companies to say where their sustainability or similar reports are to be found or explain why they have not yet published any. The aim is to facilitate access to this information by all stakeholders, but especially investors and analysts. In June 2013, about two-thirds of the companies listed on BM&FBOVESPA (66.29%) published sustainability information or explained why not. This database is updated once a year. The next update is due in June 2014.

All these initiatives show how

INVESTORS ARE INCREASINGLY AWARE OF THE SIGNIFICANCE OF NON-FINANCIAL DISCLOSURE AND LOOK FOR MUCH MORE THAN JUST ECONOMIC OR FINANCIAL INFORMATION WHEN TRADING ON THE EXCHANGE

important sustainability is for BM&FBOVESPA and how we are addressing the challenges posed by this new agenda. Our actions in this field also include enhancing our own practices. In 2013, for example, BM&FBOVESPA began offsetting its irreducible greenhouse gas emissions, with retroactive effects to include 2012 and 2011. And of course we continue to foster market choice by continually offering new opportunities to invest in sustainability. In summary, it's crystal-clear to us that sustainability is becoming not so much a competitive advantage as a prerequisite for competing, and a strategic agenda which simply can't be postponed. ●

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WATER AS A COMMODITY

BY STELA GOLDENSTEIN
EXECUTIVE DIRECTOR AT AGUAS CLARAS DO RIO PINHEIROS ASSOCIATION

With recent rainfall well below average in Brazil, the rivers that feed hydroelectric plants, cities, industries and agriculture are at very low levels and the country finds itself approaching winter, the driest season, in a critical condition. With the population concentrated in large cities and with hydroelectric power such an important component in our energy matrix, it is a worrying scenario.

We can't tell whether the low rainfall rates are the result of climate change, exacerbated by human activity, or if we're simply experiencing an unusual weather variation. The causes for the crisis are many, but the great pressure we exert every year on water resources has led to a situation of water stress which experts have warned us about for many years, and the situation has been made worse by the recent lack of rain. We have been using our water resources right up to the available limit, and bringing in water from increasingly remote locations for our water-intensive uses. Brazil is actually close to becoming a net importer of water despite the environmental consequences of bringing water from



very distant places. Contrary to popular belief the supply of water is not limitless, despite having so far been abundant in much of the country.

In the face of escalating and unrealistic levels of demand, investments are concentrated primarily in trying to maintain and expand raw (untreated) water collection. But some companies have been forced to gradually phase out water collection sites that they had used for years, and to begin bringing in water from other, more distant sites, thereby increasing their

costs. Moreover, in many regions of Brazil companies which underestimated the risks of reduced water supply when choosing their locations have been obliged by the drought to reduce production. They will need to seek technological solutions in order to be able to increase the water output from those reservoirs.

The management of water resources in Brazil is full of specific aspects not fully understood by some stakeholders. Many attempt to define water as a commodity, which is to say a tangible

and interchangeable good (such as soy or steel) belonging to a global market, with market-defined prices, which can be transported to wherever it is needed and also traded on stock markets. In some circumstances and for some particular uses, water can indeed be viewed in that way. And yet there are aspects of water supply, demand and management which clearly differentiate it from any commodity market.

The first major distinction between water and the goods or products classified as commodities is that although water is a limited good, unevenly located, with economic value, it is difficult to set its price. We are able to set a price for services for the treatment and distribution of water but it is difficult to price the collection of raw water by users.

Up to a few years ago the prices associated with water were exclusively those relating to services provided by sanitation companies. From the late 1980s the laws of São Paulo state, and then those of Brazil as a whole, began to take into account the need to pay for the right to collect and use this public good. The logic was that users should pay for the right to use water since it is a scarce good with an economic value, and investments

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and actions are needed to ensure its availability and quality. In Brazil it is increasingly common for charges to be levied for the use of raw water as an input for industrial or agricultural activity. This is distinct from the costs of water sanitation services.

Once everyone pays for the right to use water, will it become a commodity?

The Basin Committees are ultimately in charge of defining the price to be paid for the use of this good. And yet, to ensure coherence between the reality of markets and public policies, those prices are validated by users, civil society and government. It is not a matter defined only by the market, and pricing will depend on aspects such as intended use, the availability

of water in that part of the river, the conditions for returning or not returning the water after using it, as well as the negotiation processes between users and the government.

As a public good with economic value, the right to water as a primary necessity distinguishes it from commodities and confers on it a unique status. Its allocation is not a free-market decision. Water can be, and is, used for different purposes in markets far from its place of origin, which is also true for other commodities. But in most cases it is necessary to conciliate its multiple uses, which can be sequential or concomitant – for example re-use of water from power plants, human consumption vs irrigation, etc. Certain uses imply irreconcilable conflicts, and criteria for prioritising the use of water are defined by law. When supply is insufficient to meet existing demand, public supply will always be prioritised.

Another factor that sets water apart is that its production and collection are dependent both on weather conditions and the protection of vast areas of forests. "Water does not grow on trees, but without trees there is no water," it has been said. There is an ongoing discussion on the economic

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value of forests (land, trees, and biodiversity) as a vital element for the production of water in the collection areas. How can we include this externality – the creation and maintenance of forests – in the calculation of the price of water? The payment of compensation to landowners for the protection they can provide to forests is still in its early stages.

Historically we have disregarded the intrinsic value of forests as sources of water, and have not included them in the financial equations of water users, making it difficult to finance their protection. Even the funds collected from the fees for water use are still insufficiently used for the acquisition and protection of forests that may ensure water supply in the future. In the field of water supply management there is still much to be done, but the opportunities for private investment are not yet clear.

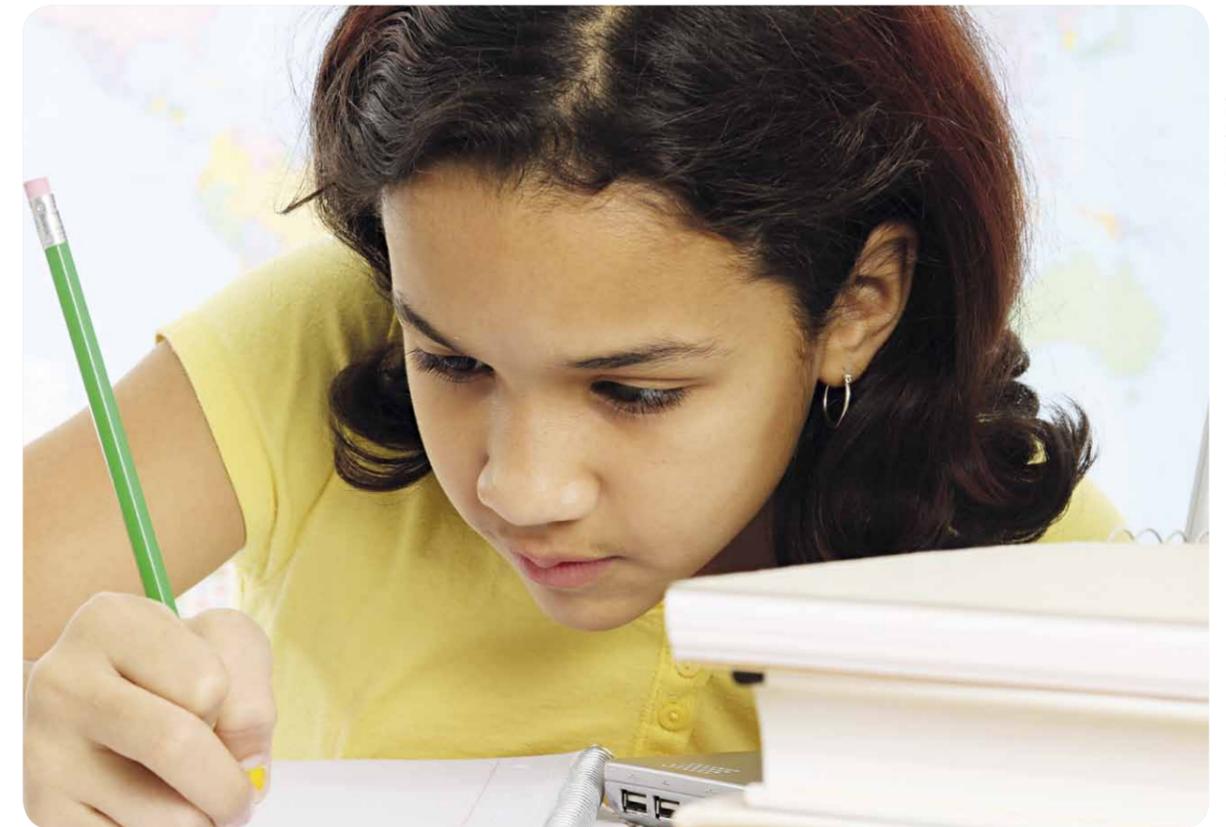
There is another issue which makes it difficult to understand water as merely another commodity. Unlike soy, ores, electricity and other commodities, the water “available” in a given location cannot simply be carried for use elsewhere – because the ecosystems of the basin where the water was originally found are themselves major

EVEN THE FUNDS COLLECTED FROM THE FEES FOR WATER USE ARE STILL INSUFFICIENTLY USED FOR THE ACQUISITION AND PROTECTION OF FORESTS THAT MAY ENSURE WATER SUPPLY IN THE FUTURE. IN THE FIELD OF WATER SUPPLY MANAGEMENT THERE IS STILL MUCH TO BE DONE, BUT THE OPPORTUNITIES FOR PRIVATE INVESTMENT ARE NOT YET CLEAR

users of it. This implies that some of the water produced in that location, called ecological flow, cannot be exported somewhere else and cannot have its physicochemical condition modified, thus making it very difficult to price. Furthermore, it is the very presence of water in that area which maintains the forests, which in turn ensures water productivity. Water, in conclusion, is a truly strange and atypical commodity. ●

EDUCATION IN BRAZIL: OPPORTUNITIES AND GROWTH

BY FLÁVIA COELHO WARDE
ABRILPAR PARTICIPAÇÕES



It is perhaps appropriate to begin talking about the Brazilian education system by looking briefly at its history.

The first Brazilian private schools were founded by priests and then organized in Catholic orders such as the Companhia de Jesus and the Ordem Franciscana, located mostly in Rio de Janeiro and in the south of Bahia, the

state in the northeast of the country where the Portuguese first arrived. Although they had been founded by priests these entities functioned autonomously, while receiving sporadic economic incentives from the government. Non-religious private education began to emerge in the middle of the eighteenth century with the decline of the influence of the Catholic orders

in the wake of the European Enlightenment, while at the same time the Portuguese government was keen to introduce public schools as a means of consolidating certain ideas in its South American colony.

When the Portuguese royal family moved to Rio de Janeiro at the beginning of the 18th century, King João VI opened several military academies

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and invested in universities for the offspring of the richest European families. Nevertheless, it was clear that education in Brazil still wasn't taken as seriously as it was, for example, in Peru and Mexico, where the first universities had been founded as early as 1551.

In 1834, as an amendment to Brazil's constitution, there was an important reform which made the basic stages of education (nowadays divided into three levels: pre-school, primary and intermediate) the responsibility of professors employed by the municipalities, while the federal government was responsible for the universities. Today, in accordance with the Brazilian federal constitution of 1988, articles 205-214, education up to intermediate level continues to be the responsibility of the municipalities and states, which are allocated funds by the federal and state governments.

In fact, paragraph 2 of Article 211 of the federal constitution makes it the duty of the municipalities to provide pre-school and primary education, while paragraph 3 determines that the states shall provide primary and intermediate education. This largely explains how public investment was and is still allocated for basic education at

BRAZILIAN PUPILS' AVERAGE PISA SCORE IN MATHEMATICS IS ABOUT 390, COMPARED WITH THE GLOBAL AVERAGE OF 494. IT IS WORTH NOTING THAT THE PISA TEST RESULTS ARE MUCH BETTER IN THE SOUTHEAST AND SOUTH OF BRAZIL THAN ELSEWHERE – BUT ALSO THAT PISA SCORES HAVE SHOWN SOMETHING OF AN IMPROVEMENT SINCE THE EMERGENCE OF PRIVATE-SECTOR EDUCATION THERE.

the three levels of government (federal, state and municipal).

As a consequence, in 2012 – to take one year as an example – 46% of Brazilian schoolchildren in the public system were at municipal schools, 37% at state schools and 0.5% at federal schools, showing how the historic division has persisted.

Looking at pre-school, primary and intermediate education as a whole, though, in 2012 there were 192,676 schools in Brazil with 50,545,050 pupils, 42,222,831 (83.5%) of whom were in public schools and 8,322,219 (16.5%) in private. According to Ministry of Education figures there was a decrease of 1.9% in enrolments in public schools in relation to 2011, one of the main reasons being the increase in family incomes over the last ten years which has allowed more parents more able to pay for higher-quality schooling for their children. The total number of pupils in private schools rose by 5.1% between 2011 and 2012, which continued the trend from previous years.

Another reason for the increase in private investment in basic education in Brazil is that, historically, the public system has had poorly qualified teachers and low-quality learning systems. The PISA (Programme for International Student Assessment) tests, which gauge the mathematics, reading and science abilities of pupils in more than 65 countries, show that Brazil has enormous room for improvement. Brazilian pupils' average PISA score in mathematics is about 390, compared with the global average of 494. It is

worth noting that the PISA test results are much better in the southeast and south of Brazil than elsewhere – but also that PISA scores have shown something of an improvement in the northeast since the emergence of private-sector education there.

Although the government is investing 5.5% of GDP in education, the poor quality of the public schools and the low pay received by teachers, who generally lack adequate training, has opened a space for the private sector to operate, mainly through the sale of teaching materials – generally very didactic in style – to public schools and also to private or franchise schools, the latter often chosen by investors as a means of testing the water in the Brazilian market.

With Brazil's universities, meanwhile, it's a different picture, because the public federal universities have a much better reputation than the public schools. Nevertheless, more than two-thirds of university students are enrolled in private institutions: there are 5 million such students, compared with 1.7 million in public universities.

In the southeast of Brazil, 81.3% of students are at private universities – and the market for education companies is experiencing significant

growth. A business with low capital expenditures and high margins, the sector has been attracting a lot of foreign and national investors, as can be seen from the BMF Bovespa (São Paulo stock exchange) statistics.

In recent years the private universities have started to benefit from the implementation of the Fundo de Financiamento Estudantil (FIES), a federal-government scheme which makes financial loans to students. According to the Ministry of Education the prospects for growth in the university sector are very good, given that currently only 20% of Brazilians of university age are enrolled in higher education. It is certainly worthwhile, therefore, to gain an understanding of the investment opportunities that exist in the Brazilian education system, either at the basic or university level. It is an area which potentially offers excellent financial returns – as well as making a significant contribution to a better future for young Brazilians. ●

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THE SOLE REPRESENTATIVE VISA IN THE UK

BY ANIVALDO ESQUELINO AND HERMAN SANTIAGO
NABAS LEGAL

Working in the United Kingdom as a foreigner continues to present challenges, both for foreign companies and for the individuals they want to recruit. A foreign company can open a branch or subsidiary in the UK but this might not always be economically advantageous and does not give that company the automatic right either to bring over foreign staff to work for them in the UK or to recruit foreign staff in the UK. A popular option for foreign companies, therefore, is the sole representative visa, which can help them expand into the UK and also utilises most of the documentation already being prepared for the purpose of expansion.

The British government has created various categories of work visa in order to regulate the entrance of foreign workers into the country. The sole representative visa allows a company (large, medium-sized or small) which lacks a presence in the UK to send a person to represent it there.

The main requirements for this visa are:

- evidence of a contract of employment between the candidate and the company



- evidence that the candidate holds a senior position and is fully informed regarding the company's activities
- certification proving that the candidate has A1-level knowledge of the English language
- a business plan for setting up a branch or subsidiary in the UK, describing in detail a strategy that will enable the business to develop
- the representative must not be a major shareholder in the company
- proof of funds with which to maintain the representative in the UK
- evidence granting active powers to the representative

After a sole representative visa has been granted, certain conditions must be met in order to ensure it remains valid:

- the individual granted the visa is not permitted to perform any other work in the UK which is not stated as part of their employment contract
- the sole representative must not be a major shareholder in the foreign company
- the activities of the foreign company must not terminate
- the UK business must be registered as a branch or subsidiary
- the foreign company must not

- have employees in the UK prior to the establishment of a branch or subsidiary by the representative
- proof of funds to maintain the employee in the UK
- evidence granting active powers to the representative

THE APPLICATION PROCESS

The sole representative visa must be applied for at the British consulate in the country where the applicant is resident or the country of which they are a national. The country where the parent company is based is not a relevant factor.

Once the visa has been approved the representative will be permitted to remain in the UK for three years, with the right to a two-year extension. At the end of those five years the applicant may request indefinite/permanent leave to remain. It is worth mentioning that the requirements in order to receive the two-year extension and to be granted indefinite leave to remain are different, and that therefore the representative should be aware of these conditions if they intend to remain in the UK.

The representative is permitted to bring family members (husband/wife, same-sex partner, and/or children

up to 18 years old), all of whom will receive dependents' visas valid for the same duration as the sole representative visa. The right to work will be extended to the spouse/partner, who will be able to do any job.

RENEWAL

At the end of the initial three years, if the company intends to continue its activities in the UK and to retain the same representative, it must request a visa extension for them.

In contrast to the initial application process the request for an extension of the sole representative visa is processed within the UK. In accordance with immigration rules, the following must be provided:

- evidence that the foreign company still has its headquarters outside the UK and that it is still fully operational. The branch or subsidiary opened in the UK must provide evidence of its registration and incorporation; evidence that it has generated business (copies of invoices, service contracts and/or buying and selling, bank statements, accounting documents, tax-payment receipts, and statements from persons and/or industries it has done business

with); and also the representative's recent pay slips (at least the last three months)

- a bank statement (or other document) proving that the recipient has been paid their salary
- an annual summary of tax payments (P60)
- a declaration by the parent company that it intends to keep the representative employed as its sole representative in the UK
- evidence that the representative has worked full-time throughout the duration of the initial visa and will continue to do so if the visa is renewed
- a statement that the representative has the financial means to pay all living costs without recourse to public funds.

The successful extension of the representative's visa will also allow for their dependents' visas to be extended.

AFTER 5 YEARS

The Immigration Act states that a foreigner who has resided in the United Kingdom for the previous five years has the right to apply for permanent residence. After five years, therefore, the sole representative will have the

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right to request permanent residence. This would be a separate application process and the responsibility of the representative, not the company.

For the British government to grant permanent residence the applicant must prove they have been residing in the UK for the previous five years and that they have been working for the same company since they were granted their sole representative visa. The applicant must also be able to demonstrate that the company is – and has been – operational, and that they have attained a higher level of English than when they applied for the sole representative visa (by presenting certificates from two English-language examinations taken in the UK). Anyone who acquires permanent residency in the UK is no longer subject to the country's immigration rules.

The great advantage of this visa is that companies that want to settle in the UK can send someone they trust or even one of their employees or shareholders, provided that person is not a majority shareholder, to manage the company's expansion. Also, there is no minimum salary that must be paid to the person coming as a representative; it is sufficient simply to ensure that they will not need to have

FOR THE BRITISH GOVERNMENT TO GRANT PERMANENT RESIDENCE THE APPLICANT MUST PROVE THEY HAVE BEEN RESIDING IN THE UK FOR THE PREVIOUS FIVE YEARS AND THAT THEY HAVE BEEN WORKING FOR THE SAME COMPANY SINCE THEY WERE GRANTED THEIR SOLE REPRESENTATIVE VISA

recourse to state benefits.

In conclusion, companies should be mindful of the constant changes to the rules regarding work visas for foreigners in the UK. Indeed, when it comes to the review and application process, it is highly recommended to seek professional assistance. ●

SUSTAINABLE WORLD CUP VILLAGES IN BRAZIL

BY SERGIO C. TRINDADE
INDEPENDENT CONSULTANT

Brazilians are a resourceful and creative people who exude *joie de vivre*. They excel in many areas – including football of course. But they live in a very unequal society. The welfare programmes that started under President Cardoso and expanded under the subsequent administrations were a positive step forward; together with easier credit they led to increased consumption, a measure of social inclusion and upward mobility. But in the absence of strong policies on education, training, healthcare, productivity, security and public transportation, higher disposable income can be eroded by inflation. More needs to be done if the population is really to achieve a higher standard of living.

Brazilians, in general, are not very fond of reading. Television networks, especially the powerful TV Globo, disseminate information and shape values and cultural norms through their soap operas. The Internet-driven social networks have become a key means of communication and crowd mobilization. Brazil has the world's third largest Facebook community.

Football, Brazil's favourite sport, is almost a national addiction. Brazilian



males – and, more recently, females too – tend to start kicking a ball as soon as they learn to walk. It's almost as if the game is embedded in their genes. It is reflected in their social interactions and behaviour. Some say football is a religion in Brazil – and it certainly also plays a role in politics and in the economy.

Many fans of Brazilian football clubs are part of organized supporters' groups. Besides soap operas, football in Brazil is often a dominant subject of conversation, often via social networks on the Internet. These interactions, on occasion, can lead to confrontations,

physical and otherwise, on and off the pitch, between individuals and between organized groups.

FIFA (Fédération Internationale de Football Association) is football's international governing body. The first FIFA World Cup was played in 1930, by which time football was already an Olympic sport. Brazil is the only country to have participated in all of the 19 World Cups held so far. It has won the competition five times and been runner-up twice. The country has hosted the World Cup once before, in 1950, when Brazil agonisingly lost the final game to Uruguay (and, inciden-

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tally, England suffered a shocking defeat to the United States).

The June 2013 riots in Brazil surprised the government, congress, the political parties and the trade unions. It appeared to be a spontaneous expression of discontent with the overall direction of the country and started as a protest against the quality of public services. Governmental priorities were fiercely criticised. The protesters complained of inflation, excessive costs and corruption associated with the World Cup preparations, and of insufficient funding for the real and immediate public needs in public transportation, healthcare and education.

The protests broke out while Brazil was hosting the Confederations Cup, a pre-World Cup tournament that brings together the champions of the six regions of the world along with the host nation. The home team won the tournament but the protests did have an impact on the games. Unfortunately, the spontaneity of the demonstrations, convened via social networks, allowed penetration by troublemakers, including masked "black bloc" groups, which regrettably led to episodes of wanton violence. The grievances which lay behind the protests still exist, and

some small-scale riots have broken out this year, which seems not to be a good omen for the World Cup.

A senior member of the Brazil team's technical committee, Carlos Alberto Parreira, who was head coach when the team won the World Cup in 1994, has publicly deplored what he sees as a lack of serious com-

THERE HAVE BEEN SEVERE DELAYS IN GETTING THE INFRASTRUCTURE READY, EVEN THOUGH SEVEN YEARS HAVE GONE BY SINCE BRAZIL WAS CHOSEN BY FIFA TO BE HOST NATION. PARREIRA TAKES THE VIEW THAT BRAZIL HAS MISSED A SPLENDID OPPORTUNITY TO DEMONSTRATE TO THE WORLD THAT IT IS MATURE AND READY TO PLAY A MORE SIGNIFICANT AND RESPONSIBLE ROLE ON THE WORLD STAGE.

mitment by the authorities in their preparations for this year's competition. There have been severe delays in getting the infrastructure ready, even though seven years have gone by since Brazil was chosen by FIFA to be host nation. Parreira takes the view that Brazil has missed a splendid opportunity to demonstrate to the world that it is mature and ready to play a more significant and responsible role on the world stage.

The 2014 World Cup's official budget is R\$26 billion (US\$ 10.5 billion), which covers urban mobility; the building/upgrading of 12 stadiums, and additional infrastructure projects in the areas surrounding them; airports and ports; telecommunications; public safety; tourism; and temporary facilities. The actual expenditure, however, is likely to be higher due to delays, cost overruns, inflation and possibly corruption. Some 99.4% of the cost will be covered directly by government funds or financing from state banks such as BNDES: private funds will cover only 0.6%. This short-term, massive construction programme has provided lots of business opportunities and employment for skilled and unskilled workers, engineering design and contractor companies, as well as

domestic and international suppliers of goods and high value-added, innovative services.

However, the real business of the 2014 World Cup in Brazil should be to provide long-term sustainable development opportunities to the affected communities, going far beyond the short duration of the football tournament itself. This can be achieved by conceiving of the stadiums and surrounding infrastructure as sustainable "World Cup Villages" rather than merely as the venues for occasional football matches post-2014. Such an approach would convert the current challenges into opportunities for sustainable development. Public grievances would be answered by making the World Cup stadiums hubs for commerce and cultural activities, healthcare and education, supported by adequate transportation and other infrastructure.

To ensure sustainability, dialogues could be conducted between stakeholders at each site, so as to decide on priorities, help define the focus and configuration of the proposed World Cup Villages, and attract private and public investment. One possible way to begin this process would be to engage the existing World Cup Popular Com-

PUBLIC GRIEVANCES WOULD BE ANSWERED BY MAKING THE WORLD CUP STADIUMS HUBS FOR COMMERCE AND CULTURAL ACTIVITIES, HEALTHCARE AND EDUCATION, SUPPORTED BY ADEQUATE TRANSPORTATION AND OTHER INFRASTRUCTURE

mittees, established to give a voice to the local communities affected.

This overall approach would make the business of the 2014 World Cup in Brazil worthwhile. It could encourage other Brazilian communities affected by significant public works to get organized. It would promote participatory decision-making processes in which the stakeholders' consensus on priorities would be acted upon. Moreover, it would also be emblematic of a veritable new Brazil. ●

INTERVIEWS



AMBASSADOR ALEX ELLIS

BY IEDA GOMES
THE BRAZIL BUSINESS BRIEF

BRITISH AMBASSADOR TO BRAZIL

Alex Ellis has been British ambassador to Brazil since July 2013. Previously he worked as director of strategy at the Foreign and Commonwealth Office, and in Brussels as an adviser to the president of the European Commission on energy, climate change, competition, development, trade and strategy. His first overseas posting was to Portugal, where he later returned as ambassador (2007-10). Before entering the FCO he was a history teacher.

How does Brazil differ from the countries you'd served in before?

Brazil is on a different scale to any other country I have lived in. The fifth-largest country in the world, with the fifth-largest population, with such a huge diversity of people and climate, makes my job as ambassador both a huge challenge and huge opportunity. I can recognise some aspects of the heritage of Portugal, the other country to which I have been ambassador, most obviously in the language and the people. But there is something from everywhere in Brazil, including the United Kingdom. My great-grandfather was born in Rio and his father had a large company in Rio and Sao

Paulo in the late 19th century. The British left their mark, whether commercially or in terms of football.

From a relatively modest position 10 years ago, Britain has become one of the biggest foreign investors in Brazil. Do you still see appetite for further investment? And if so, in which areas?

Yes. The Brazilian government has growth programmes to equip the country with the infrastructure needed to support its growing economy – areas such as healthcare, education, energy and transport infrastructure definitely offer opportunities for

partnership with British companies. The recent discovery of pre-salt oil reserves has already attracted substantial investment from the UK. The UK is the fourth-largest foreign investor in Brazil, according to the Brazilian Central Bank.

In the aftermath of the European economic crisis the British government decided to put greater emphasis on its commercial relationships with the BRIC countries. In practical terms what actions are being taken to implement this strategy?

We have invested more resources in Brazil, expanding our diplomatic and commercial network to provide more services to more British companies. For example we opened a consulate general in the city of Recife to take advantage of the rapid growth of the Brazilian northeast region. And we've created a Strategic Partnership team, to work more closely with the biggest British companies in the market.

This is part of a global effort by the UK to increase our exports and diversify beyond the traditional markets of the Europe and the US, although those remain important. Brazil is one of several countries which are forecast to increase imports rapidly up to 2018, in part because of wealth generation

among the aspirant working class.

What programmes and initiatives are currently being pursued by the British embassy in Brazil?

We have a very broad agenda for 2014-15. Our GREAT Britain campaign continues, showing British strengths across many sectors to audiences overseas. This year we will focus on key priority areas in Brazil such as infrastructure and energy. Overlapping with those we will have a series of business events happening before and during the World Cup, to capitalise on the interest raised by such a major event, and we will add an element of Olympic legacy to the various missions, seminars and roadshows. Finally, attracting Brazilian investors to the UK is also an important part of our strategy, and one which is already delivering exciting results.

We have seen renewed interest on the part of UK institutions in developing educational partnerships in Brazil. What's happening in that area at the moment?

The Brazilian government's flagship programme Science without Borders is an enormous success, and I'm delighted that the UK is currently the second most popular destination for Brazilian students out of the 36 countries which

participate in the programme. I'm not surprised either; the United Kingdom has many excellent universities, spread all over the country. Under the programme 6,000 students have gone to the UK, with another big batch to arrive this semester.

We also continue to work in the Chevening Programme, the British government's global scholarship programme, funded by the Foreign and Commonwealth Office and partner organisations. In his recent visit to Brazil, our foreign secretary William Hague launched a partnership to bring the private sector closer to both programmes. We have over 1,500 distinguished Chevening alumni. And it's worth remembering that the educational links between the countries have been developed over decades. One of the first Brazilians to study in the UK was Vinicius de Moraes.

Overall, what do you see as Britain's competitive advantages for gaining new business in Brazil?

Britain has wide expertise and leading technologies in several areas of interest to Brazil. For example we delivered a very successful Olympic Games, the greenest ever, which is of great interest to the Brazilian authorities. British companies are supplying

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seats for stadia, helping design the Olympic village, and sharing solutions with the Rio 2016 Olympics. Another recent example is the Brazilian mission we took to the Ecobuild and World Water Tech summits in London, as we identified the opportunity to work together in sustainable construction and water technologies.

Where do you see the main opportunities for Brazilian investors in the UK?

For Brazilian investors looking into the UK, the priority sectors we'd suggest are ICT, financial and professional services, energy and infrastructure, advanced engineering, food and drinks, and life sciences. We believe the UK can be a global platform for Brazilian business to gain more market access, as a springboard to EMEA [Europe, Middle East and Africa] and the USA.

What kind of support and advice is the British embassy providing to Brazilian companies willing to invest in the UK?

We provide information about how to set up a new company in the UK (tax, labour, regulations), free market studies with information on site location and operational costs, and we also introduce the companies to regions that would appeal to their

WE BELIEVE THE UK CAN BE A GLOBAL PLATFORM FOR BRAZILIAN BUSINESS TO GAIN MORE MARKET ACCESS, AS A SPRINGBOARD TO EMEA [EUROPE, MIDDLE EAST AND AFRICA] AND THE USA

business plan, to enable them to succeed in the operational phase. We also maintain contact with the company after they start their operations, to ensure they're taking full advantage of the UK market and the global business connections.

How do you think we could leverage the cooperation between the British embassy and the Chamber of Commerce to promote business relations?

The Brazilian Chamber of Commerce and the British embassy and consulates in Brazil have worked closely together on a number of successful events over recent years. We should continue to deepen that cooperation. At the same time, UKTI

is working with the British Chambers of Commerce network globally to help them give further support to UK companies looking to export to overseas markets. As this initiative continues, it would be good to see the Brazilian Chamber in London and the British Chamber in Brazil working together to strengthen bilateral business relations between our countries.

Can you tell us about any British trade missions heading for Brazil this year?

In the financial year that's now coming to an end we've organised more than 40 trade missions to Brazil, in all sectors. Next year we expect to organise just as many, again across every major industry sector. We will also be working with British companies during the World Cup so they can take advantage of events and activities which we are planning around Brazil. Some of our major missions next year will include oil & gas missions; one mission to Hospitalar, the largest healthcare fair in Latin America; and also groups coming to mass-transport-infrastructure events. ●



PICTURES BY RONALDO BATALINI // SMILE PHOTOGRAPHY

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Brazilian Chamber
of Commerce in Great Britain

NEWS FROM OUR MEMBERS

A NEW INTERNET DOMAIN FOR LONDON



From 29th April this year, Londoners will have the chance to be among the first in the world to have their own city domain

name. Dot London, the city's new internet domain, will be operated by London & Partners with the support of the Mayor of London.

For Brazilian businesses already operating in London or wishing to establish themselves there, Dot London offers the opportunity to associate themselves more closely with the city and to indicate to their customers and clients where they are based.

Anybody with an interest in London can acquire the new domain name, but for the first three months priority will be given to applications from businesses which are actually based in the city. Applications will be validated to ensure businesses get priority for their business or trademark names. To ensure that you take full advantage of this opportunity, please visit our website www.mydotlondon.com. ●

DATES FOR YOUR DIARY

13TH MAY

GALA DINNER AND PERSONALITY OF THE YEAR AWARDS
LONDON HILTON ON PARK LANE, 7PM

28TH MAY

SEMINAR: ECONOMIC PROSPECTS AND CAREER OPPORTUNITIES IN BRAZIL
KING'S BRAZIL INSTITUTE, 6PM

3RD JULY

SUMMER NETWORKING EVENT
DARTMOUTH HOUSE, 6PM

2ND SEPTEMBER

RECEPTION AT THE HOUSE OF COMMONS
HOUSE OF COMMONS, 6.30PM

FOR MORE INFORMATION PLEASE VISIT OUR EVENTS PAGE AT
BRAZILIANCHAMBER.ORG.UK/EVENTS

NEWS FROM OUR MEMBERS

DATES FOR YOUR DIARY

EVENTS ROUND-UP

THE BRAZILIAN CHAMBER ORGANISES AROUND 20 EVENTS PER YEAR ON A VARIETY OF SUBJECTS, ALWAYS AIMING TO RAISE THE PROFILE OF BRAZIL AND TO PROMOTE NETWORKING OPPORTUNITIES. ON OUR PAST EVENTS PAGE YOU CAN DOWNLOAD PRESENTATIONS, SEE PICTURES AND LEAVE COMMENTS.

FOR MORE INFORMATION PLEASE VISIT WWW.BRAZILIANCHAMBER.ORG.UK/PASTEVENTS



Speakers at the British anti-bribery legislation event

DOING BUSINESS IN BRAZIL: 2014 OUTLOOK

25TH MARCH 2014

At this event organised jointly by the Brazilian Chamber of Commerce and the Law Society of England and Wales, the panellists discussed the political and economic climate for UK companies operating in Brazil and offered advice for UK law firms and their clients developing their business in the Brazilian market.

The panel was composed of Vitoria Nabas from Nabas Legal International Lawyers (chair); Jaime Gornsztejn of BNDES; Oliver Engelsdorf of Santander; and Colin Johnson from Grant Thornton.



Oliver Engelsdorf of Santander, Vitoria Nabas of Nabas Legal International Lawyers, Jaime Gornsztejn of BNDES and Colin Johnson from Grant Thornton

A DISCUSSION OF THE BRAZILIAN AND BRITISH ANTI-BRIBERY LEGISLATION

21ST JANUARY 2014

Organised by the Brazilian Chamber in partnership with Lex Anglo-Brazil and Deloitte LLP, this event compared anti-bribery legislation in Brazil and the UK, and discussed the main provisions introduced further to the OECD recommendations. Following recommendations from the Financial Action Task Force – an intergovernmental body responsible for promoting the implementation of anti-money laundering measures – Brazil has enacted Law No. 12,683/12, laying down new provisions in combating money laundering and addressing several issues not covered under the previous legislation.

The speakers were Vitoria Nabas of Nabas Legal International Lawyers, Jorge Rivera of Deloitte, Daniel Varga of Nabas Legal International Lawyers, Frederico Singarajah of 1 Gray's Inn Square Barristers' Chambers, and Catherine Arnold from Deloitte (pictured above, left to right).



Brazil – Adjusting the Economy Presentation

BRAZIL – ADJUSTING THE ECONOMY: PEDAL TO THE METAL

27TH MARCH 2014

Roberto Padovani, chief economist at Votorantim Corretora, gave an overview of the current Brazilian economic situation and how, in his opinion, the government should adjust its policies in order to boost growth.

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EDITORIAL

BRAZIL BUSINESS BRIEF, APRIL 2014

NEWS FROM THE
BRAZILIAN CHAMBER OF COMMERCE
IN GREAT BRITAIN

EDITORS

LENA BERALDO & ALEX THOMAS

EDITORIAL COUNCIL

JAIME GORNSZTEJN & IEDA GOMES

GRAPHIC DESIGN

NENI ALMEIDA · NENIALMEIDA.COM

PHOTOGRAPHY

JULIA SUKAN DEL RIO & GERALDO CANTARINO

PROOFREADING

MICHAEL MARSDEN

OUR GUEST WRITERS AND COLLABORATORS IN THIS EDITION



IEDA GOMES

Ieda Gomes is a councillor at the Brazilian Chamber. She is the managing director of Energix Strategy Ltd, an energy and gas consultancy company, and was previously vice president of New Ventures at BP plc, president of BP Brasil, and CEO of the São Paulo Gas Company (Comgas).

ieda.gomes2@gmail.com



CHRIS DESÁ

Chris DeSá is a senior manager in Control Risks' global client services division, where he is responsible for developing tailored solutions to complex political, regulatory and legal issues for clients in South America. He was previously a capital markets lawyer with the São Paulo office of White & Case LLP.

Chris.DeSa@controlrisks.com



SONIA FAVARETTO

Sonia Favaretto is BM&FBOVESPA's press and sustainability officer. She also heads the Instituto BM&FBOVESPA and is chair of ISE, the BM&FBOVESPA corporate sustainability index. In the communications field she has more than 20 years' experience in roles connected with social responsibility and sustainability.

sfavaretto@bvmf.com.br



STELA GOLDENSTEIN

Stela Goldenstein is a geographer who has worked for many years in the development of environmental policies and strategic planning for the São Paulo state and municipal governments. The positions she has held include environment secretary in the São Paulo municipal government, special advisor to the state governor, and environment secretary in the state government.

sgoldenstein@uol.com.br



FLÁVIA COELHO WARDE

Flávia Coelho Warde is a legal officer at AbrilPar Participações, the holding company of Grupo Abril. She holds a degree in law from the Pontifícia Universidade Católica de São Paulo and a degree in law and economics from University of Chicago. Before her current role she worked for eleven years in Brazilian and international law firms.

flavia.warde@abril.com.br



ANIVALDO ESQUELINO

Anivaldo Esquelino is an associate lawyer at Nabas Legal International Lawyers in London. He is a dual-qualified Brazilian and Portuguese lawyer specialising in international law, particularly transactions between Brazil, Portugal and the UK. He also has extensive experience in immigration law and with private client transactions.

aesquelino@nabaslegal.com



HERMAN SANTIAGO

Herman Santiago is the head of global client services at Nabas Legal, and the company's practice manager. His background is in financial, operational and structural banking and management.

hsantiago@nabaslegal.com



SERGIO C. TRINDADE

Sergio C. Trindade is an international sustainable business consultant, based in New York. He was a co-laureate of the 2007 Nobel Peace Prize as a member of the International Panel on Climate Change (IPCC).

strindade@alum.mit.edu

BRAZILIAN CHAMBER OF COMMERCE
IN GREAT BRITAIN
PRESENTS

GALA DINNER
**PERSONALITY
OF THE YEAR
AWARDS 2014**

13TH MAY 2014
AT THE LONDON HILTON
ON PARK LANE
7.00PM



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of Commerce in Great Britain