

## INFO 489/IBUS 489: Brazil Business Environment

### International Field Study

WINTER-SPRING 2012

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### **OBJECTIVES:**

The purpose of this course is to provide an opportunity for a better understanding of specific and important aspects of doing business in Brazil and in Latin America at large.

The experiences on this study tour will help to make the abstract concepts of international business real and relevant. At the conclusion of this course, students should be able to discuss the challenges and opportunities of doing business in an international setting.

### ***Our study trip:***

Brazil is an important trade partner of the US and presents an eclectic opportunity for investment and trade. Brazil has fairly large and strong industrial and service sectors. The relatively low wage structure along with trade pacts has allowed Brazil to experience significant real economic growth in the recent years. Coupled with various reforms which were prompted by prior economic failures, Brazil looks very promising for businesses that may want to expand their operations to South America or establish trade relationships.

We plan to have several visits to the industrial base of Brazil which is heavily present on the in Sao Paolo and in southern states such as Santa Catarina and Rio Grande do Sul. We will visit some of the largest and most sophisticated plants in the world. Such visits include Embraer (3<sup>rd</sup> largest manufacturer of aircraft in the world), General Motors, International Engines (Ford Motors), Springer Carrier (Air Conditioner manufacturer), AGCO (Agricultural Equipment Manufacturer), and Olsen (manufacturer of dental equipment). We will discuss issues that practitioners are facing in that part of the world and we will identify challenges and opportunities for new business ventures.

More than learning about business and economic activity, we will experience first hand a cultural environment that is rich in tradition and customs. In the short time we will spend on that part of the world, students will have the opportunity to learn about business practices and the way of life.

**Basic Communication Requirements:** Students are responsible for the following means of communication throughout the semester:

**Use of Web page:** Students are responsible for class announcements made via email or other electronic means.

## **SUMMARY OF TOTAL CLASS HOURS & ASSIGNMENTS**

- 6 pre-tour, formal class hours.
- 39 formal and informal hours in Brazil/: company/institution briefing and visits, city visits, class discussion, etc.

**Pre-tour assignment:** **Due Wednesday, December 21, 2011**  
**(Electronic copy submitted to**  
**xkoufteros@yahoo.com)**

**Journal recordings:** **Due Wednesday, January 25, 2012**  
**(Electronic copy submitted to**  
**xkoufteros@yahoo.com)**

**Research paper:** **Due Monday, February 13, 2006**  
**(Electronic copy submitted to**  
**xkoufteros@yahoo.com)**

## **DESCRIPTION**

The intention of this trip is to expose students to a dynamic business environment while providing them with the opportunity to experience the rich culture of Brazil.

Brazil is a large country, only slightly smaller than the U.S. in size and has a population of roughly 182 million. It is experiencing an annual growth rate of 4% and the work force includes 79 million people. Brazil has the largest population in Latin America and ranks fifth in the world. The majority of people live in the south-central area, which includes the industrial cities of Sao Paulo, Rio de Janeiro, and Belo Horizonte. Urban growth has been rapid; by 2005, 81% of the total population was living in urban areas. This growth has aided economic development but also has created serious social, security, environmental, and political problems for major cities.

There is an abundance of natural resources in Brazil. The industrial sector contributes 36% of GDP while the service sector contributes another 54%. Brazil has had a trade surplus in the recent years. Major export markets include: European Union 25.0%, United States 21.1%, Argentina 7.6%, China 5.6%, and Mexico 4.1%. Major import markets include: European Union 25.4%, United States 18.1%, Argentina 8.9%, China 5.9% and Nigeria 5.6%.

Agriculture is a major sector of the Brazilian economy, and is a key for economic growth and foreign exchange. Agriculture accounts for 10% of GDP (30% when including agribusiness) and 40% of Brazilian exports. Brazil enjoyed a positive agricultural trade balance of U.S. \$34 billion

in 2004. Brazil is the world's largest producer of sugar-cane, coffee, tropical fruits, frozen concentrated orange juice (FCOJ), and has the world's largest commercial cattle herd (50% larger than the U.S.) at 170 million head. Brazil is also an important producer of soybeans (second to the United States), corn, cotton, cocoa, tobacco, and forest products. The remainder of agricultural output is in the livestock sector, mainly the production of beef and poultry (second to the United States), pork, milk, and seafood.

Brazil has one of the most advanced industrial sectors in Latin America. Accounting for one-third of GDP, Brazil's diverse industries range from automobiles and parts, other machinery and equipment, steel, textiles, shoes, cement, lumber, iron ore, tin, and petrochemicals, to computers, aircraft, and consumer durables. Most major automobile producers have established production facilities in Brazil.

Brazil has a diverse and sophisticated services industry as well. Mail and telecommunications are the largest, followed by banking, energy, commerce, and computing. During the 1990s, Brazil's financial services industry underwent a major overhaul and is relatively sound. The financial sector provides local firms a wide range of financial products. The largest financial firms are Brazilian (and the two largest banks are government-owned), but U.S. and other foreign firms have an important share of the market.

Brazil has made progress but significant vulnerabilities remain. Despite registering its first year-on-year decline in 2004, Brazil's (largely domestic) government debt remains high. Total foreign debt, while falling, is still large in relation to Brazil's modest export base. Over time this concern will be reduced by healthy export growth, which has anchored the positive trade and current accounts. Income and land distribution remains skewed.

Export growth figures prominently in plans to generate growth and reduce what is seen as a vulnerability to international financial market gyrations. To increase exports, the government is seeking access to foreign markets through trade negotiations and increased export promotion as well as government financing for exports.

To increase its international profile (both economically and politically), Brazil is seeking expanded trade ties with developing countries, as well as a strengthening the Mercosul customs union with Uruguay, Paraguay and Argentina. In 2004, Mercosul concluded free trade agreements with Colombia, Ecuador, Venezuela and Peru, adding to its existing agreements with Chile and Bolivia to establish a commercial base for the newly-launched South American Community of Nations. The trade bloc also plans to launch trilateral free trade negotiations with India and South Africa, building on partial trade liberalization agreements concluded with these countries in 2004. China has increased its importance as an export market for Brazilian soy, iron ore and steel, becoming Brazil's fourth largest trading partner and a potential source of investment.

## **READINGS:**

Libraries and the Internet have an array of resources with additional information on Brazil. A lot of current information regarding Brazil appears here: <http://www.ibge.gov.br/english/>.

Read the Country Study for Brazil at <http://lcweb2.loc.gov/frd/cs/brtoc.html> with particular emphasis on Chapter 3: Economy.

Check this publication from CSCMP: CSCMP Global Perspectives – Brazil

Examine also: <http://export.gov/brazil/doingbusinessinbrazil/index.asp> with particular emphasis on Economic Trends, Statistics, Investment Climate, Top US Export Prospects, and Trade Regulations.

“Brazil’s Fading Love Affair with China”; Economist Aug 4, 2005

“South America’s Customs Union”; Economist Dec 9, 2004

“Brazil’s Economic Challenges”; Economist Sept 2, 2004

### **Tentative travel itinerary:**

- Friday, Dec 30: Depart Houston or College Station Airport
- Saturday, Dec 31: Arrive in Sao Paolo, Day at leisure
- Sunday, January 1: Day at Leisure
- Monday, January 2: Plant Visits
- Tuesday, January 3: Cultural visits
- Wednesday, January 4: Plant Visits
- Thursday, January 5: Travel to Florianopolis
- Friday, January 6: Plant Visits
- Saturday, January 7: Cruise
- Sunday, January 8: Day at Leisure
- Monday, January 9: Travel to Porto Alegre-Day at Leisure
- Tuesday, January 10: Plant Visits
- Wednesday, January 11: Plant Visits
- Thursday, January 12: Cultural Visits
- Friday, January 13: Travel to Rio De Janeiro- Day at Leisure
- Saturday, January 14: Cultural Visits
- Sunday, January 15: Return to the US with arrival on January 16

- FOREIGN STUDY TOUR REQUIREMENTS & GRADING

### **Attendance and Class Conduct**

Grades are a function of attendance, participation, and performance on assignments. Attendance at all scheduled activities prior to and during the trip is required **(30%)**

### **Assignments**

The purpose of the pre-trip assignment is to ensure that students are adequately prepared for the trip. Lack of preparation decreases the potential benefits of the study tour.

*The Pre-trip written assignment* is to provide an overview of doing business in Brazil from the point-of-view of a foreign firm (i.e., from your home country perspective). The paper should be about 8 pages plus attachments, professionally and properly footnoted (i.e., Turabian or APA Style), due before departure. See instructor for details **(25 %)**.

*Two post-trip assignments* focus on integrating the field experience with research.

**(A) *Diary of field experiences:*** Each student must turn in a five-page summary of PLANT TOURS, and cultural, social and political impressions.  
**(10 %)**

**(B) *Final paper:*** A final paper based on research and experience in which you brief an executive team about expanding operations in Brazil. The paper should be professional, about 20 pages long and properly footnoted (i.e., Turabian or APA style). See Instructor for details and approval of the paper topic while on the trip **(35 %)**

### **DETAILED INSTRUCTIONS FOR FINAL PAPER**

The instructions below apply to the final paper for the study tour. The paper needs to be formatted by using each question as a first level heading with tables, charts, and well-written content. In all cases, proper citation and referencing is necessary. The objective is to “brief” an executive team about the possibility of expanding operations of a U.S firm to Brazil.

Select a company of interest to you. Based on your experience, research, and readings, write a paper that responds to the following issues:

1. How does the product or service fit into the South American context?
2. Describe the competitive environment that the firm will face in Brazil.
3. What key country characteristics would provide opportunities for this company?
4. What key characteristics would inhibit or challenge the success of this company?
5. What are the supply chain implications for expanding operations in Brazil?
6. What are the risks for this company if it chooses to do business in South America?

The paper should include a cover-page, table of contents, and appropriate reference list. The average paper should be about 20 pages (double-spaced) not including the executive summary, cover page or bibliography.

There will be a late penalty of 10% per day for papers turned in late. It is very important to follow this instruction if you want your grades processed timely.

Please note that your papers may be filtered via TURNITIN.

## FORMATTING THE PAPER

### You need:

- A title page
- A table of contents
- A reference list

**NOTE:** The title page, table of contents, and reference page(s) do **NOT** count as part of your professor's page limitation: These pages are additional.

1. **Begin** with an **Executive Summary**. Remember that an executive summary presents a snapshot of the entire paper. It includes the thesis, the issues being investigated, the findings, and the conclusions. It does not, however, include the details—supporting data. Limit the summary to **one page**.
2. **Follow** with an **INTRODUCTION**. This section provides the thesis and overviews the paper's contents--***and how that content supports the thesis***. For example, “Brazil would be an appropriate venue in which to offer kayaking excursions because [relate your reasons to the first-level headings of your paper, which represent the course topics.] In other words, you should be able to justify entering this market based upon an analysis of social responsibility, the regulatory environments, market forces, the competitive environment, translation and transaction costs, and the country's general demographics.

Use headings and subheadings for the text responding the six questions above. Use in-text parenthetical references **A minimum of 10 separate references is to be used.**

3. **End** with an **overall CONCLUSION**. This section summarizes your position on the company's effectiveness or ineffectiveness related to ***all*** the issues discussed—the major sections topics.
4. **Edit and proofread this paper**. Use clear and concise language. Check your grammar, punctuation, and spelling. Avoiding problems in these areas will result in a higher grade. Remember to cut clutter, vary your sentences, use active verbs when possible, and use transitions to show the logical relationship between ideas. Spell check the paper, but remember that spell check won't catch “wrong word” errors, e.g., if you mean “their,” but word process “there.”

Using these guidelines will help you organize your ideas strategically.

- **ADA STATEMENT:**

- The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact Disability Services, visit [disability.tamu.edu](http://disability.tamu.edu), call 845-1637 or go to Cain Hall, Room B118.

- **AGGIE HONOR CODE:**

- "An Aggie does not lie, cheat or steal, or tolerate those who do."
- Upon accepting admission to Texas A&M University, a student immediately assumes a commitment to uphold the Honor Code, to accept responsibility for learning and to follow the philosophy and rules of the Honor System. Ignorance of the rules does not exclude any member of the Texas A&M University community from the requirements or the processes of the Honor System. For additional information: [www.tamu.edu/aggiehonor/](http://www.tamu.edu/aggiehonor/)