

managerial and technological resources employed, (and by market segmentation), refer mainly to those provided by the Telebras System and its 28 state subsidiaries. Within the Telebras System, emphasis will be placed on Embratel, the long distance telephone and data communication operator, whose performance, expansion and investment plans will be presented, as well as for the emerging private Value Added Network (VAN) service providers. The equipment market is divided and classified both by technology and by customer base, detailing both present sales volume and future prospects. Main competitors, national and foreign capital joint-venture associations, both in manufacturing and product distribution, are outlined in each market segment. When applicable, the procurement practices for public and mixed capital buyers are described.

The third chapter provides general recommendations for market access strategies, which match both market requirements and governmental regulations.

The appendix summarizes the most relevant legal aspects related to the regulation of the Brazilian telecommunications market, focusing on those aspects that have influenced or limited the access of foreign investments and directed the formation of new equipment and/or service providers. Past and recent evolution of state purchasing practices, as well as import, industrial and technology policies are summarized, in order to provide the Canadian company with a better understanding of the marketplace.

1.2 The Brazilian Market, A Good Opportunity for Foreign Companies.

Optimism is warranted in assessing the future of Brazil's telecommunication market. New and fair competition practices among private and state companies in the service arena and fair treatment to foreign investments in the equipment market is expected during the next 2 years. Nevertheless, some legal issues such as patent protection laws, import controls and tax barriers are still undefined, pending review by Brazil's National Congress. Regulations governing capital, profit and royalties repatriation still await definition of regulations by the Central Bank. Some of the present difficulties and delays were due to the poor performance of the now deposed Collor administration. Despite recent political difficulties, the government's plans continue to focus on the short term reduction of the internal federal deficit and the modernization of the economy, allowing further interest rate reductions and economic growth in 1993.

Presently the principal barrier to the telecommunication sector's modernization and its full development is the constitutional monopoly which grants the State (federation, states and